EINANCIALTIMES

Kremlin reforms upset ethnic leaders, Page 3

EUROPE'S BUSINESS NEWSPAPER

No. 30,482

Monday March 7 1988

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World News

US financial Statoil plans freeze puts programme of radical pressure on Noriega restructuring

The beleaguered military-dominated regime of General Manuel Antonio Noriega in Panama is being strangled financially by the freeze imposed by a US court last veek on its few remaining liquid

The freeze followed Gen Noriega's palace coup 10 days ago against figurehead President Eric

against ingurenean President Fric Arturo Delvalle, whose support-ers applied to the courts with US Administration backing. This led to an acute cash short-age forcing the Government to close all banks indefinitely last Friday. Page 3

EC warning to Pretoria

European Community is to warn the Pretoria Government not to interfere with EC aid programmes for human rights groups and trade unions in South Africa in response to draft proposals to block foreign funding for organisations with broadly defined "political purposes." Page 3

Moscow protest

The Soviet Union has issued a protest against South Africa's ban on the activities of 17 antiapartheld groups and sharp restrictions on the country's main trade union organisation.

E German arrests

East Germany has arrested more than 100 citizens seeking to emi-grate to West Germany, in a sweep by security forces designed to stop several hundred thousand people applying repeatedly for permission to leave for the West.

Anti-Stalin rally halted Soviet authorities manhandled about 25 people into vans, amid scuffles, in Moscow's October Square in a swift attempt to prevent a demonstration in support of the de-Stalinisation of Soviet society. The protestors were released after eight hours. Page 3

Soviet-UK TV link

Soviet and British audiences will communicate directly. via satellite in a six-day series of televi-sion bridges beginning on Sun-day with a Moscow-London link.

Mob atiacks embassy

A mob tried to storm the Soviet Emhassy in Iran's capital, pelting the building with rocks, trying to set fires and threatening the lives of Soviet diplomats and their familes, Tass, the official Soviet

US aircraft fired on

Two US military helicopters came under heavy machine-gun attack from an oil platform and ships in the central Gulf. Iran-ians were suspected.

Waldheim admission

Austria's President Kurt Waldheim admitted in a television interview that he knew about the wartime interrogation and execution of British commandos in Greece, but did nothing.

Ershad victory

President Hussain Muhammad Ershad's Jatiya Party won 238 seats of the 279 results declared in Bangladesh's elections, which were marred by violence and

Miners in cocaine trek

Some 500 unemployed miners crossed the Andes on foot to join forces with coca farmers defying a US-backed government plan to cut back on Bolivia's cocaine pro-

Sub crashes into oil rig A West German submarine on manoeuvres crashed into a Nor-wegian oil rig in the North Sea, forcing the evacuation of the 200

men on the platform, state television reported. No one was hurt.

Chirac rejects coalition

French Prime Minister Jacques Chirac ruled out a new era of power-sharing between a socialist president and a conservative government after this year's presidential election.

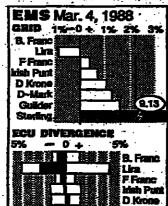
Business Summary

STATOIL, Norway's state oil company, plans a radical restru-cturing under which three divi-sions - exploration and production, marketing and refining, and petrochemicals — will be estab-lished within a fully integrated company. Page 19

PIRELLI GROUP, Italian tyre manufacturer, held an intensive series of board meetings over the weekend amid speculation that it is set to hid for Firestone Tire & Rubber of the US. Page 16

EUROPEAN Monetary System: The Beigian franc was slightly weaker against its European cur-rency unit central rate last week but was under no real pressure.

This was underlined by a 0.25 per cent cut in the Belgian discount rate to 6 per cent. Elsewhere, currencies trade steadily and well within their divergence limits, a factor stressed earlier in the week by French Finance Minister Edouard Balladur. Currencies, Page 32



The chart shows the two con-straints on European Monetary System exchange rates. The tapper grid, based on the weakest cur-rency in the system, defines the cross-rates from which to cur-rency (except the lira) may move hu more than 24, per cent. The by more than 24, per cent. The lower chart gives each currency's divergence from the "central rate"

Unit (Ecu), itself derived from a basicet of European currencies. BELGIUM'S caretaker government has urged Carlo De Bene-detti, Italian entrepreneur, and for control of Société Générale de Belgique, Belginm's higgest com-pany, and negotiate a strategy for its future. Page 19

COCOA: Producer and consume countries remain far apart after initial discussions in London on

measures to halt the slide in prices. Page 4 **HEINEKEN**, Dutch brewer, reported flat earnings for 1987 as net profits inched up to F1 286.7m

(\$150.8m) from Fl 285.3m in 1986. Earnings per share edged higher to Fl 11.16 from the Fl 11.11 posted for the previous year. Page 19 DEUTSCHE Genossenschafts-

bank (DG Bank), West German co-operative bank, has announced the country's first equity flotation since October's stock market crash – the sale of a 249 per cent stake in Deutsche Verkehrs-Kredit-Bank. (DVKB), in-house bank of the federal rail-

way system. Page 18 AU PRINTEMPS, French depart ment store group, has announced a limited bid for La Redoute, mail order specialist, aimed at taking its stake in the company to 50.01 per cent. Page 19

AUSTRALIA'S Economic Planning Advisory Council has warned that tougher fiscal and wage policies are needed to stabilise the country's net foreign debt, which stands at A\$87hn (£35.7bn), Page 4

TRELLEBORG, Swedish indus trial group with interests in rubber and plastics, reported a strong increase in profits and sales last year due almost entirely to its acquisition in 1987 of Boliden, Swedish metals and mining, chemicals and trading concern. Page 19

Bush wins South Carolina on eve of Super Tuesday

BY STEWART FLEXING, US EDITOR, IN WASHINGTON

ition as the front runner in

cancuses tomorrow.

He now goes into these conmar Baptist minister would not tests not only as the best organised and best financed candidate, also revive questions about also with the political electability and reinforce commomentum which will make it carns about deepening ideological even harder for his rivale to

decision was needed from the divided coalition government

until after his return from an official visit to Washington next

Colleagues in the right-wing Likud block said that the Prime Minister, who is facing his toughest-ever political challenge, was seeking "explanations and clarifications" from the US, and hoped to help a final angusty mtil these

to defer a final answer until these were received. Mr Shultz is reported to have asked Arab and

Israeli leaders to reply within a fortnight.

Mr Shamir, who is scheduled to visit Washington on March 14, is expected to submit counter-pro-

posals of his own, including a longer time frame than that envisaged in the Shultz plan.

At yesterday's regular meeting of the full Cabinet, Mr Shamir

succeeded in blocking Labour

demands for the issue to be brought to a vote. Labour minis-

ters will press again for a deci-sion on Wednesday when the pol-icy-making inner cabinet meets.

Shamir rejects

on peace plan

demand for vote

MR YITZHAK SHAMIR, the the "final status negotiations."

feating Mr Bush has come increasingly to turn on the Mr

which will make it cans about deepening decological even harder for his rivals to argue that his support is broad, but not very deep.

Saturday's results will have been particularly disturbing for Senator Dole. He has been hoping didates in states as diverse as that Mr Robertson would do well. Texas, Florida and Virginia in

The Israell press yesterday overwhelmingly endorsed the Shuitz proposals, calling on the Government to respond posi-tively. Several newspapers critic-

sed the Likud block for isolating

ised the Likun clock for isolating itself over the US peace plan.
During continuing violent disturbances in several parts of the occupied West Bank over the weekend, four more Palestinians died after being shot by troops. Meanwhile, a court in Jaffa brought charges of deviation from standing orders against an

from standing orders against an army captain and two soldiers involved in the severe beating of

two captured Arab youths, which was captured on film.

Tony Walker adds from Cairo:
Arab reaction to the plan has
ranged from mildly encouraging
in the case of Syria to relatively
enthusiastic on the part of Egypt.
Only the Palestine Liberation
Organisation has so far
denounced the plan. Its 15-member executive committee
described Mr Shuliz's proposals
as a "plot" to undermine a threemonths old puriting on the West

months old uprising on the West Bank and Gaza Strip that has left more than 90 Palestinians dead.

Arab states are closely watch-

ing developments in Israel, where Mr Shamir faces a serious

Tony Walker adds from Cairo:

inst the D-Mark (DM per 5)

enginst the US Dollar (\$ per 2)

UK ready to resist pressure for £ to rise

THE UK Government appears prepared to continue to resist pressures in the foreign exchange markets for sterling to rise above its unofficial limit of DM3.

its unofficial limit of DMS.

There is widespread expectation among foreign currency traders that sterling could face renewed buying this week, especially from Continental European investors seeking to take advantage of high UK interest rates.

Upward pressure on sterling last week has led to speculation that the Government might relax its exchange rate policy and

its exchange rate policy and allow the pound to rise above DM3. On Friday the Bank of England was required to buy foreign currency worth nearly £1bn to stem the pound's rise.

Mrs Margaret Thatcher, the Prime Minister, is reported to be concerned that the Bank does not continue to add to Britain's international reserves, currently \$42.9bn, through intervention to hold sterling at an arbitrary rate against the D-Mark. The view in official circles yes-

terday was that the Bank would still seek to hold the DM3 line. The monetary implications of intervention — a rise in sterling
M3, the broad measure of money
supply, which would have to be
absorbed by sales of gilt-edged
securities — are not that great, given the favourable outlook for public sector finances next finan-

cial year.
Officials said there were limits to the extent to which the Bank could continue to amass foreign currency reserves but indicated that they had not been reached yet. The Government's policy of seeking a stable exchange rate against the D-Mark had not

Whitehall officials noted that sterling had fluctuated within a range of DM2.95 to DM3 over the pest year and this had been a "very helpful policy" from the point of view of industry and

Asian currency proposal, Page 3; Currencies, Page 32

SUCH was Mr George Bush's victory in Saturday's South Carolina primary that it has triggered predictions that by the end of "Super Tuesday" the US Vice President will have won more than half the delegates he needs to win the Republicans' presidential nomination. Republicans vote tomorrow in primaries and cancuses in 17 states. Mr Bush won more than twice as many votes in South Carolina as his nearest rivals Senator Robertson, the former television evangalist. The Vice President's triumph represents a: big. setback for Mr Robertson, who only two weeks ago was predicting that he would christian vote and the support of convention in New Orleans in Four-nation European fighter project set for \$35bn go-ahead

THE FOUR-NATION European the expense of acceptable perforbighter Aircraft project is finally mance.

The key development has development, at a total cost of involved Mr Manfred Wörner, the \$35bn; following lengthy arguments about the cost and specification of the totake over this summer as separate consortium for the state. He argued that me to take over this summer as separate consortium for the state.

full-scale development can be signed by representatives of West Germany, Italy and Spain, as well as the UK, at a meeting in early-trouble May.

cations.

British ministers are now confident that the remaining problems have at last been resolved and that commitments to schmitt Rollow Right Avenue and that commitments to schmitt Rollow Right Avenue and that commitments to schmitt Rollow Right Avenue and the fermion of the schmitt Rollow Right Avenue and the schmitter and the sc

The project (known as EFA) is intended to provide up to 800 air craft which will enter service in the mid-1990s as the main Nato fighter-interceptors and makes of the main street of th

The US team will be presenting cheaper alternative to the EFA, with the bait of European

A delegation of senior US offi-cials, led by Mr Dennis Kloske, a

deputy under-secretary of deficial defence at the Pentagon, will be meeting civil servants from the defence ministries of the countries involved in Bonn later Ministries

the mid-1990s as the main Nato fighter-interceptors and groundattack aircraft. The Royal Air force wants the aircraft to replace its ageing Phantons and Jaguars.

The timetable for agreement tasks and frigates. However, the has slipped several times in the Ministry of Defence's equipment but of Service and for about times moths post year, largely because of concern in West Germany about the cost. The defence ministries of fighter or a purely British vertical any savings are not at. The project will be developed characteristics of the grounds of cost.

Pretoria offers Moscow deal to end Angolan war

Union have been involved in a withdrawals from Angola and proxy war in Angola since 1975 independence for Namibia, illawhen the first Cuben troops were gally governed by South Africa.

Significantly, Gen Malan made Continued on Page 16

way out of its involvement in the
12-year-old Angolan civil war, capital, Luanda.

Since then, some 40,000 Cuban ernment has been seen in Luanda as eithement in Afghanistan.

Noting Mr Gorbachev's recent ernment led by President based on a coalition.

Noting Mr Gorbachev's recent ernment led by President based on a coalition.

Figure 12-year-old Angolan civil war, capital, Luanda.

Since then, some 40,000 Cuban ernment has been seen in Luanda as a major stumbling block to an internal political settlement in Afghanistan.

Noting Mr Gorbachev's recent ernment led by President based on a coalition.

Figure 2-year-old Angolan civil war, capital, Luanda.

Since then, some 40,000 Cuban ernment has been seen in Luanda as a major stumbling block to an internal political settlement in the major stumbling block to an internal political settlement as a soviet-South African-backed Units rebusely a soviet-South African agreement else by Dr Jonas Savimbi.

The proposals for a free, non-aligned and neutral Afghanistan which south African-backed Units rebused on the possibility of a Soviet-South African agreement the major stumbling block to an internal political settlement on a coalition.

Figure 2-year-old Angolan civil war, capital, Luanda.

Since then, some 40,000 Cuban ernment has been seen in Luanda as a major stumbling block to an internal political settlement on a coalition.

Figure 3-year-old Angolan said Pre
The proposals for a free, non-aligned and neutral Afghanistan.

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The proposals for a free, non-aligned and neutral Afghanistan.

Figure 4-year-old Angolan said Pre
The proposal toria was prepared to accept lomatic attempts to end the war agreement between the MPLA something similar in Angola.

South Africa and the Soviet linkage between Cuban troop names.

GENERAL Magnus Malan, the MPLA (Popular Monvement for no mention of Namibia nor of South African Defence Minister, the Liberation of Angola) govern- Unita leader Dr Savimbi in his this weekend offered Moscow a ment defeat South African forces statement. The charisma of Dr way out of its involvement in the who had advanced almost to the Savimbi and his likely dominance of any future coalition govern-

Suspected IRA terrorists shot

It is believed that IIK officers offices was concomed up by had been trailing the two men for several hours.

and a woman for several days. It Police and fire brigade personwas later confirmed officially nel were recalled to duty and the
that one of the men had an irish armed forces were on full aller.

"We have no knowledge of any
passport.

"We have no knowledge of any
the brigade personplace in Gibraltar which was
stumed by the event.

In London last night, a Labour
spokesman calledon Sir Geoffrey
Howe, the British Foreign Secretary to make a statement on the

THREE suspected IRA terrorists detonate a 400lb bomb on Tueswere shot dead by police in day by remote control.

Happened in broad daylight in a car was located were evacuated busy road linking Gibraltar to spain.

Official spokesmen said the situation was under control and that IIK forces had acted in support of local police. But they were refusing to give further information.

It is believed that IIK officers as forces was condoned off by police in the area where the stockings. They were bleeding as they lay on the roadside.

The theory that was gaining credibility last night was that they were planning a massacre of British soldiers as the troops prepared to set off for their weekly correctly port of local police. But they were assisting the local police.

An area near the Governor's mation of the theory.

This was the troops prepared to set off for their weekly correctly police and the theory.

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The theory in the attockings. They were planning as they lay on the roadside.

The theory is the local police at the provide and they were planning at massacre of British soldiers as the troops prepared to set off for their weekly correctly police.

The theory is the provide and they lay on the roadside.

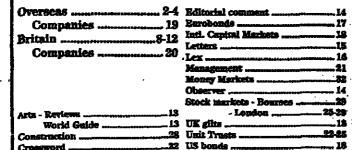
The theory is the loc

A bomb was found in a car off other terrorists," said an official the main street in an area where spokesman after reports that two soldiers of the resident battalion, other people were being sought. The bodies of the suspected terminal guard mounting near the project of the suspected terminal guard mounting near the people were taken by ambulance monst today. Mr George Foulkes, opposition defence spokesman, said the apparent extension of terminal guard mounting near the to the Royal Naval Hospital.

An eyewitness said that one of the first timewas very worrying.

dead by police in Gibraltar

Contents:



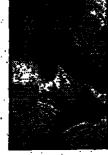
THE: <u>MONDAY</u> PAGE INTERVIEW Alice Rewsthorn

Chablon

designez

Giorgio Armani,

Page 6



Airliners: Boeing 737 flies into a class of its Anthony Harris: Gephardt's genie of igno-Deseguit: How the new pilot has seized the controls Editorial comment: Debt after Mexico; A merger policy for the 1970s Green Belt: Fighting for a patch of the coun-Management: W. H. Smith - how every product tells a story ... Nigeria: Smyey

The mass circulation Yediot dilemma over how to deal with Ahronot, israel's largest circulation daily, yesterday published a number of elements he has photocopy on its front page of repeatedly rejected — in particulation the Shultz proposals. land for peace in the occupied. The document appears to correctionies and proposals for an roborate what was already international conference as a widely believed to be the sub-stance of the proposals. It empha-sizes the active role the Reagan Administration anticipates for itself in the two proposed sets of negotiations this year: first for Shultz's informal deadline for "transitional arrangements" for responses from the various par-the occupied territories and then Continued on Page 16



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Argentina

renews

offer on

Falklands

ARGENTINA repeated its offer at

Gandhi dissolves Punjab assembly in peace move

AN ATTEMPT by Mr Rajiv who is likely to be a leading fig-Gandhi, the manan frime samis-ter, to bring peace to the troubled northern state of Punjab by involving young leaders of Sikh extremists in a settlement moved a stage further last night when the state's elected assembly was

The dissolution is a signal to the militants that the way is now open for them to try to take power through an election this year, if they will end the vio-

Mr Gandhi launched his initia-Mr Gandhi launched his initiative on Friday when five Sikh high priests and 40 other prisoners were released from Jail. They included Mr Jasbir Singh, a 33-year-old nephew of Jarnail Singh Hhindranawale, the extremists' main leader and now a folk hero who was killed when the Indian army stormed the Sikhs' sacred Golden Temple at Amritsar in June 1984.

Punjab's state assembly and its government, run by the Sikha' moderate Akali Dal Party, was suspended last May when Presi-dent's Rule (direct rule from Dalhi) was inspected. Delhi) was imposed.

The extremists have been demanding some form of independent Sikh state, which they call Khalistan.

endent Sikh state, which they ment and organise elections before the current period of president's rule expires on May 11.

ance, he said in Hamburg.

The four economies had a \$400n trade surplus with the US last year. This was some two-thirds the size of the Japanese surplus with the US and three possible to imagine Japan and times that of West Germany's. some of the NiCs one day creating an Asian currency system.

now up to the Government to decide whether it wants to give us our freedom inside the country or outside". He said the Khalistan call would be re-examined, and he carefully avoided repeating the

ure in talks with the Govern-

ment, appeared to strike a prag-matic note when he said: "It is

extremists' traditional outright condemnation of the Indian con-

The extremists' demands, which the Government will find difficult to satisfy, include some form of official apology for the 1984 army action at the Golden Temple, and rehabilitation of Sikhs in the Indian army who

later deserted.

The Government appears determined to pursue its new peace initiative, despite continued killings in the Punjab. Extremists killed 14 people over the weekend, following a massacre of 34 people at a Hindu festival on Friday. This brought the total of people killed in the state so far this year to at least 250. The death toll last year was 1,230, including 325 extremists.

It is not yet clear whether Mr It is not yet clear whether Mr Gandhi hopes to reach a settle-

The official Iraqi news agency reported that one had landed in a residential district,

Iran plea to **Red Cross** in 'war of the cities'

By Our Middle East State

tional Committee of the Red Cross to help end Iraqi missile attacks on its territory. Yester-day Baghdad claimed to have fired a further three missiles at Tehran, on the seventh con-

at renzan, on the several con-secutive day of attacks, after firing six on Saturday.

Mr Ali Akbar Velsyati, iza-nian Foreign Minister, also requested the Red Cross to could feet finding send fact-finding teams to inspect bombed residential areas of Tehran, according to irns, the official Iranian news

Disclosure of the message follows an appeal on Wednes-day by Mr Hohammed Jasiar Mahallati, Iranian ambassador at the UN, to Mr Javier Perez de Cuellar, UN
Secretary-General, and the
Security Council for a halt to
the latest round in the "war of
the cities".

Tehran has said it was pre-pared to halt retalistory strikes if Iraq ceased its

According to diplomatic observers, the missile exchanges — believed to involve Skud Bs of Soviet oriinvolve Skud Bs of Soviet origin — appear to be hurting Tahran more than Baghdad,
As yet, though, there has been no sign of Iran bowing to Iraq's demand that it accept the ceasefire called for by Security Council resolution 538, adopted last July, according to Western diplomats.

Iraq has said that it has fired 34 missiles against Tehran as well, as three into the holy city of Qom. since the hely city of Qum, since the attacks started a week ago. Irna has reported about 30.

Iran has struck Baghdad with 18, according to its own account. Iraq has acknowledged 12

account. Iraq mas accessver-edged 13.
Iran suid that another 28 people had been killed and 60 wounded by yesterday's strike, raising total casualties to 170 dead and more than 400 injured in the capital, according to official counts.

Iran yesterday fired two
retaliatory missiles at the
Iraqi Air Force headquarters
in Baghdad, Irna sald.

POLICE and Buddbist monks clashed in Lhasa, the Tibetan capital, on Saturday during a pro-independence protest which is reported to have left eight people dead and intensified the pressure on Chinese leaders already divided over Tibetan policy.

The protest, which witnesses said began early on Saturday and lasted into the evening, coincided with the conclusion of a big prayer festival which the Chinese Communist Party had hoped would provide evidence that there is freedom of religion in China.

Witnesses said the protest which the chinese to have been thrown from the roof of the temple. Witnesses reported seeing five protesters, including a monk, shot dead.

Witnesses said the protest began when about 200 young Early in the afternoon, the few

seen rising from the temple.

Tear gas was used to disperse the protesters, and police cor-dened off the city centre. Dezens of monks seem to have been

The clash followed several months of unesse in Lhasa which succeeded a pro-independence protest in October last year when at least six people were killed near the same tample.

POLICE and Buddhist monks monks at the Jokhang temple, foreigners present were cleared day will prompt further debate clashed in Lhasa, the Tibetan the site of the prayer festival, from the scene, Explosions and among Chinese leaders over capital, on Saturday during a began to chant pro-independence small arms fire were heard late. Tibetan policy. This policy is rappro-independence protest which slogans and hurl stones and into the evening and smoke was idly becoming a symbol of con-

Yaobang, the Communist Party chief, who admitted that policies had led to mistreatment of Tibetans and ordered a purge of senior officials in the local administra-

servative Communist concern that the party needs to tighten control over religion in particular and society in general.

Alleged mishandling of the Tibet issue was listed in internal party documents as a reason for the removal early last year of Hu

the weekend to declare a formal end to hostilities with the UK, in return for discussion of the sovereignty issue over the Falkland Islands. Mr Dante Caputo, Foreign Min-ister, said after returning from New York on Saturday from talks with Mr Javier Perez de Cuellar UN Secretary-General, that

Argentine diplomatic pressure on the UK was paying off. He claimed the British manoeuvres. escanates are that a slowdown in business activity has seriously reduced federal revenues from about 26 per cent of gross downs.

that, because there was never a formal declaration of war, a forsenal and other factors will keep mal declaration of an end to hosmonthly inflation to about the 18

It is an offer that Argentina has made on several occasions in

Brazilian ministers seek spending cuts

Eight die in Tibet independence protest

PRESIDENT José Sarney of Bramore severe action.

The President's promise came cal tension is increasing as the fibility this week as ministers in a newspaper interview after assembly, consisting of the fed-accusations that the Government eral Congress, approaches the way again vacillating over where savings can be made. Most political district and severe action.

The President's promise came cal tension is increasing as the assembly, consisting of the fed-accusations that the Government eral Congress, approaches the savings can be made. Most political term and sector spending.

Mr Sarney last Friday promised "drastic measures" within days to tackle the public sector deficit, following the rejection by

ministers last week of a plan to freeze federal salaries for three New measures being considered are believed to be a more ered are beneved to be a more modest freeze and ceiling on higher state-sector pay, combined with dismissals of hundreds of civil servants hired since the offi-cial ban on federal recruitment was imposed in January. However, there remain serious doubts as to whether the Govern-ment has the political will to take

Submarine rams Norwegian oil rig in North Sea

A WEST GERMAN submarine crashed into a Norwegian oil rig in the North Sea on Sunday, forcing the evacuation of the 200 msn on the platform, state television reported. Reuter reports from Oslo.

No one was hurt when the 500-tonne submarine, taking part in West German naval manoeuvres, hit one of the rig's main supnorts.

BY ROSERT THOMSON IN PERSON IN PERSON.

CHINA'S minister for railways has resigned and the director general of the national carrier, the Civil Aviation Administration of China, has been disciplined following a series of train and sircraft accidents in recent weeks.

Ding Guangen, the Railways himster and a protect of the par-

No one was hurt when the 500tonne submarine, taking part in
West German naval manusures,
hit one of the rig's main supports.

The submarine, of the S-176
class, struck the rig in the Oseberg cilifield at a depth of about
40m (120ft) and then surfaced,
television said.

An officer came on to the off
rig to explain what had happened.

To enforce discipline, educate
officials and to safeguard the
interests of the people and the
stafe, according to a document
released by the state council.
We Ding, appointed in 1935,
tendered his resignation to the
vas considered to be a talented
country's highest governing
body, the state council, after it office and his removal is both a
held that he was guilty of
meglect of duties" and responsihigher train accidents in
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Government possesses sufficient political will to take severe action cal analysis agree that any true whether a parliamentary system cuts are likely to provoke as of government should be intromuch indignation as admiration. duced The latter issue could be

There remain serious doubts as to whether the

CHINA'S minister for railways In the worst or one administer for railways has resigned and the director 88 people were killed after an express train overturned on Jan-

firm grip on the deficit is essentiant a swathe of alarming foret monthly inflation to about the 18 lithits was innecessary. But, I till to Mr Sarney's efforts to win casts on the downturn of the per cent range for March before a that is the problem, we are properly the period of t

general of the national carrier, express the Civil Aviation Administra-uary 24.

decided this week The politicisms are operating

His resignation was accepted to enforce discipline, educate

reduced federal revenues from about 26 per cent of gross domestic product to 23 per cent. Also, unofficial projections show that the wages bill, if unchecked, will have expanded by year-end from 3.26 per cent of GDP to 5.17 per cent — equivalent to a rise from 64 per cent to more than 100 per cent of all federal revenues.

Industrial output figures, due this week, are expected to record a 5 per cent fall in January, albeit the figure for January last year.

Mr Caputo said at the weekend the figure for January last year Mr Caputo said at the weekend was high. Economists believe that sea-

a majority, in the assembly now economy, now suffering inflation writing a new constitution, for a of 18 per cent a month. Unofficial in the following months. China's railway minister resigns

general, was held responsible for an air crash on January 18 in which 108 people, including four foreigners, died.

Mr Hu, who has overseen a sig-nificant expansion of China's

civilian air fleet, submitted a self-criticism to state council, which issued a "first grade disci-

plinary demerit against him. Mr Hu, 60, an avistion engineer, was appointed in early 1985.

The fact that he has kept his job despite the crash is testimony to his success as head of the Chi-nese airline, long notorious for

the past two years but which has been rejected by the UK. following January train crashes

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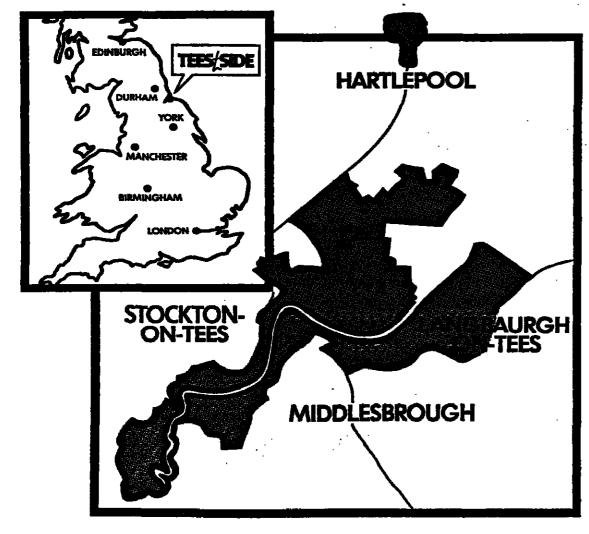
Pöhl foresees EMS-type system for Asian nations

THE IDEA of an Asian currency system, along the lines of the European Monetary System (EMS), has been floated by Mr cost advantages stemming from Karl Otto Pöhl, president of the Bundesbank. The so-called "little and high productivity. "They do not need to rely on an exchange South Korea, Hong Kong, and singapore should contribute to an improved world economic balance, he said in Hamburg.

The four economies had a Mr Pöhl said these young economics had these young economics had these young economics had achieved their considerable export successes through example the conomic flexibility, low wages, and high productivity. "They do not need to rely on an exchange like other surplus countries, make their contribution to a better than the suggested that these Newiv

times that of West Germany's. some of the NiCs one day creat-Half of Korea's and Taiwan's ing an Asian currency system along the lines of the EMS.

DEVELOPM



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OVERSEAS NEWS

Brussels to offer Norway more say in EC foreign policy

links with the European Commu-relations, before the West Ger-nity and closer co-operation in mans surrender the six-month nity and closer co-operation in the formation of EC foreign pol-

The state of the s

Vigenting)

The move, agreed yesterday at an informal meeting of EC for-eign ministers, is the latest step in increasingly close relations between Oslo and Brussels. Norway nearly joined the Commu-nity in 1973 but withdrew its

presidency of the Council of Ministers at the end of June to Greece, which is less interested in building links with Norway. Athens is followed in the chair by Spain and then France, equally uninterested in close ties with the northern Nato member. nity in 1973 but withdrew application after a national referendum narrowly voted against Union's human rights record in
central Europe at the current Since then, Oslo has been pressing for closer involvement and Co-operation in Vienna. The applying again for membership. Yesterday's move comes in response to the Norwegian Government's growing belief that it needs more of a say in the Community's foreign policy; Oslo risks being left in a minority in Nato between the US and an often united EC.

Conference on European Security.

Conference on European Security.

S Africa warned against blocking human rights aid

Arrica.

The warning, to be delivered at eign Secretary, called Pretorie's ambassadorial level, comes in planned aid crack down "a potentially disturbing extension of the common of the response to some Arries with proposals to block foreign fund-ing for organisations with power to act against foreign broadly defined "political pur-funded anti-apartheid groups" the need

West Germany. Ministers are also to ask officials to assess the size and strength of Pretoria's diplomatic missions in the EC, a move week, would present a which diplomate crid. first step towards requesting a apartheid-groups. Brussels has cut in the number of South Africommitted Ecu 25m (£17.25m) can officials. Both steps mark a small but significant intensifying of pressure; so far the EC has been able to agree on limited sanctions against apartheid.

Mr Hans Dietrich Genscher,

NORWAY is to be offered closer attempt by Oslo to bolster its EC

THE European Community is to tions are - that their actions

warn the Pretoria Government will not impede the Community's not to interfere with EC aid programmes for human rights aid for human rights organisagrammes for human rights tions, churches and trade groups and trade unions in South unions."

Sir Genfirev House the TIK That

Sir Geoffrey Howe, the UK For-South African Government's poses". The move was agreed yes terday at a meeting of the EC's fortnight have been of grave conforeign ministers at Konstanz, cern to all of us."

The West German and British which diplomats said could be a total block to EC aid to antiover the past two years out of a total allocation of Ecu 30m to 113 South African human rights projects. A further Ecu 20m is proposed for the current year.

The assistance comes under the West German Foreign Minist the "positive measures pro-ter chairing the session, said: gramme" set in place to counter The intention is to let South criticisms that EC sanctions Africa know what our expecta- against Pretoria were inadequate.

Austrian coalition agrees tax reform

AUSTRIA'S Socialist-led coglidion government yesterday agreed a big tax reform after months of often bitter dis-agreement and the resignation last week of Mr Johannes Ditz, one of the main experts involved in the negotiations. The reform came after

The reform came after lengthy discussions at the weekend between Mr Ferdinand Lacina, Socialist Finance Minister, and Mr Josef Taus, one of the tax experts and a 5 high-level member of the Conservative People's Party, the junior partner in the coalition. Under the new measures, the highest income tax brackets will be reduced from 62 per cent, and the lowest from 21 per cent to 10 per cent.

lowest from 21 per cent to 10 per cent.

The new income tax brackets, which cost the government Sch45bn (£2.14bn), required a big overhant of other taxes to make up for sacrificed lost revenue. To cover the 10 per cent difference, tobacco has been taxed by a further 5 per cent, bringing it to 55 per cent, and the tax on gambling has been increased by a further 10 per cent.

The new tax reform, subject to parliamentary approval, is to be implemented in 1989. During the early stages of the negotiations, the experts, Mr Lacina and Mr Franz Vransixky, the Chancellor, had suggested a 20 per cent tax on the interest earned on bonds as well as on savings accounts. The introduction of a Quellensteuer (withholding tax) on the interest on savings proved to be the main sticking point and it increased the pressure on the already fragile coalition. Mr Alois Mock, the Foreign Minister and leader of the Conservative Parky, insisted. eign Minister and leader of the Conservative Party, insisted that no Quellensteuer be intro-duced. Mr Mock had promised the electorate that interest on savings would remain untaxed. It was agreed yester-day to tax the interest on bonds and savings by 10 per-cent.

All this means the coalition government can continue and Mr Mock can argue that the low-interest savings which account for about 70 per cent of savings books will remain

Panama hit by US freeze on assets

THE BELEAGUERED military ama as an international financial bi-weekly payments to pensioners ity collapsed late last week dominated regime of General centre. Panama has 125 domestic and the police today and tomorManuel Antonio Noriega of Panama is being strangled financially by the freeze imposed by a 1983 debt crisis was the most private placement underwritten
US court last week on its few important offshore centre in by a syndicate of Japanese banks.

Denominated regime of General centre in by each police today and tomornormalization in mancial process provery payments of private tomornormalization in mancial process provery payments of private tomornormalization in mancial process provery payments of private in process and the police today and tomornormalization in mancial process provery payments of privated in process and the police today and tomornormalization in process provery payments of privated in process.

The process prover provers provers prover provers provers prover provers prover provers prover provers prover provers pr

IS court last week on its few remaining liquid assets.

The freeze followed Gen Noriega's palace coup 10 days ago live without this banking cenaries applied to the courts with US Administration backing.

Administration backing.

The Government knows it can debt of \$4bn and is \$97m in arrears on loans from institutions and was \$52m behind at the end it's finished, in terms of its principles and its foundations. This is call borrowings.

Administration backing.

The Government knows it can arrears on loans from institutions and was \$52m behind at the end of Jamary on its \$1.8bn commercial borrowings.

It has, in effect, been cut off from all credit and almost all aid.

The Government knows it can arrears on loans from institutions and was \$52m behind at the end of Jamary on its \$1.8bn commercial borrowings.

from all credit and almost all aid. The US Administration last This led to an acute cash shortage forcing the Government to close all banks indefinitely last richose all banks indefinitely last richose all banks indefinitely last man of Banco Nacional de Panama (BNP) the state clearing based in Panama, is openly seeking the removal of Gen Noriega and the coming week could be crucial in the outcome of this struggle.

The confrontation is also and the confrontation is also structured in the confrontation is also any shortfall by printing money.

struggle.

The confrontation is also any shortfall by printing money.

The Government is due to meet

senior finance officials said. In this situation, the Govern ment's ability to meet its bills is in doubt. Next week, for instance. it must find \$31m to pay 150,000 public employees their bi-weekly

> Though the general's regime has some support in the country-side, the public sector is its last significant reservoir of civilian support in resistance to the pri-vate sector-led opposition and US Administration's demands that Gen Noriega step down.

The closure of the banks has compounded the problem. After last week's strike against the legal authority.

A deal whereby the state savings bank was to sell up to \$50m of its loan portfolio to a \$pamish bank to generate liquid-

achieve approximate parity has had a fair measure of success in

country. Higher education means that Kazakhs, Uzbeks, Tartars and other nationalities now have their own well-qualified elites

their own well-qualified elites who compete directly with Slavs for jobs in the towns in a way that their parents did not.

The spread of literacy and education has had the same contradictory impact in the Soviet Union that it has in other countries. It has made members of netional groups more alike but

national groups more alike but

also more conscious of, and more capable of, expressing their national differences. Rioters in Alma Ata, the capital of Kazakhs-

tan, in 1986 were mainly Kazakh

students from the vocational

To defuse the nationalist resur

gence, Russian and non-Russian Mr Gorbachev needs to accommo

Protest in Moscow broken up By Christopher Bobinski In Mescow

THE SOVIET authorities moved swiftly in Moscow yesterday to revent a demonstration in support of the de-Stalinisation of Soviet society.

The group of about 25 people, amid scuffles, was manhandled into vans and driven away from October Square.

The demonstration ised by Perestroika 88, one of the many informal groups which has grown up during the regime of Mr Mikhail Gorbachev, the Soviet leader — was aimed to have the Soviet authorities agree to a monument to the memory of

Despite the spate of recent arti cles in the Soviet media which have openly described the crimes communitted under Stalin during the purges in the 1930s and there-after, and the posthumous reha-bilitation of Nikolai Bukharin, an opponent of Stalin's economic policies, the authorities have failed to commemorate the vic-

Yesterday 130 Jewesses in several Soviet cities, who are seeking to leave the Soviet Union, started a protest fast in private flats. It is to continue until

Last year more than 5,000 Soviet Jews were permitted to leave the Soviet Union, up from 1986 when 943 left but still below the 1979 record of 51,330.

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And ask K. Mikael Heiniö

Soviet nationalities react with irritation to interventions by a reforming Kremlin

HAS THE unrest in the Soviet incorporated into Azerbaijan in Russian heartlands that other so each ethnic group would nationalities and the M non-Russian tempedated the plans of Mr ist demands are not the most sian republics have been getting had a fair measure of success in leader, to allow greater diversity chev.

of opinion in the Soviet Union? The most potent nationalist

The Soviet Union is a multi-revival in the Soviet Union today ment is expressed in bitter racist ethnic state. Ten of the country's is in Russia itself. The common jokes. One story tells of President 92 nationalities have more than 1m members aviece and relations between the nationalities have always been crucial in Soviet

society. When Mr Gorbachev first called for greater democracy and factor in most outbreaks of freedom of expression, he said unrest among different Soviet

make up half the population

The reasons behind the stresses between Soviet nationalities in the 1980s are more complex than ancient national grievances bursting to the surface as misers want greater strategic control of the surface as misers want greater strategic control of the surface as misers want greater strategic control of the surface as misers want greater strategic control of the surface as misers want greater strategic control of the surface as misers want greater strategic control of the surface as misers want greater strategic control of the surface as misers want greater strategic control of the surface as misers want greater strategic control of the surface as misers want greater strategic control of the surface as misers want greater as misers want greate

battan torpedoed the plans of Mr ist demands are not the most sian republics have been getting Mikhail Gorbachev, the Soviet dangerous threat to Mr Gorba- what is seen as an unfair share of

Patrick Cockburn gives a personal view of unrest troubling the rulers of 92 national communities in the USSR

the way the Soviet Union is run to ensure that more openness would not lead to an explosion Moscow. The active element so endangering the Soviet system. For is central, not local. The Deterioration in relations Kremlin has decided that things between the retiremities could be sufficient to the state of between the nationalities could cannot go on as before, not sepa-prove him wrong. ratists or nationalists seeking Mr Gorbachev himself, in con- what has been described as "the

trast to his predecessors as party break-up of the Soviet empire."

leader from Stalin to Andropov, has spent his career exclusively in the Russian parts of the Soviet Central Asian republics, which in the Russian parts of the Soviet have a total population of 46m, Union and this might explain his there has been a sustained camunsure touch in dealing with the pagin against the old leaders which have leader which has led to

authoritarian control from the trol of the allocation of resources centre is relaxed. Such grievand have little time for the ances convincingly explain regional political chieftains who has achieved much since the flourished under Brezhnev. Also, 1920s. Its aim of pushing regional return of an Armenian province there is deep resentment in the economic and social development.

Ronald Reagan boasting to Mr Eduard Shevardnadze, the Soviet Foreign Minister and former leader of the Georgian republic, that in America every family has a house and a car. "So do we in Georgia," responds Mr Shevard-

"But how about Russia?" asks Mr Reagan. "Look," replies Mr Shevardnadze, "I didn't ask you about the negroes in America, so don't you ask me about the Rus-sians in the Soviet Union." Russian disgruntlement at the prosperity of other nationalities

and the re-assertion of central control from Moscow were always likely to lead to problems. But it is a third development the way in which the nationali-ties themselves developed in the post-war period - which makes the present situation unpredictable and potentially explosive.

within a less authoritarian and more democratic system. He needs to be more radical, not less. The demonstrations in Armenia underline that the price of failure of political and eco-nomic change is likely to take a nationalist form. FINANCIAL TIMES

Patrick Cockburn, Financia Times correspondent in Moscon from 1984 to 1987, is spending a year as Senior Associate of the Carnegie Endowment for Interna-tional Peace in Washington, DC,

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- Lord Jellicoe, Chairman, Davy Corporation

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...where you have initiative, talent and ability, the money follows' the Rt Hon Margaret Thatcher, Prime Minister, Teesside, 16 September 1987

zin

A SHARP reminder of the magni-tude of Australia's foreign debt problem has come from the Government's high-level Economic

Planning Advisory Council.

In a report published today, the council points to risks in the Labor Government's economic strategy to stabilise the country's net external debt at just above 34 per cent of gross domestic product by 1991-92.

At the same time it spells out the painful implications for memployment and other consequences of trying to meet a lower 32 per cent target more quickly. Australia's gross foreign debt is currently A\$111bn (£45.5bn). The net figure of A\$87bn is equiv-The net light of Ass7on is equiv-aient to around 33 per cent of gross domestic product. In 1982 the comparable figure stood at just 10 per cent.

According to the council, tougher fiscal and wages policies would be needed to stabilise the

debt earlier and at a lower level. But its figures show that, in the process of stifling domestic demand to trim overall growth in GDP to only 1.5 per cent a year, the unemployment rate would rise sharply from current levels rise sharply from current levels omy, its inadequate innovation of 8 per cent to a peak of 13.5 per and commitment to exports.

Under the more leisurely sce-



rounding the trade picture. It points in particular to the possibility of a recession in the wake of last October's share market collapse and competition from manufacturers in the US and Asia's newly industrialising

constraints on its performance the inefficiencies of its own econ-

Publication of the council's nario, the council report indicates, GDP growth would remain preparations for its mini-budget at 2.753 per cent and membloy due in May. Business groups are tates, GDF growth would remain at present ment would remain at present levels.

The risks in this strategy, however, lie in the uncertainties sur-

> **WORLD ECONOMIC INDICATORS** INDUSTRIAL PRODUCTION (1980 - 109)

Japan US	Jan.'88 133.8 123.2	Dec.'87 132.3 123.0	May.'87 129.6 122.5	Jas.'87 122.4 116.2	% chang over previous year +9.3 +6.0
UK Italy France W. Germany	Det.'87 115.9 101.5 105.5 167.2	Nov.'87 115.2 103.1 104.9 168.1	0ct.'87 115.2 104.6 104.2 106.8	Det.'86 110.5 100.5 101.6 106.2	+4.9 +1.0 +3.8 +0.9
Netherlands	Nov.'87 109.2	Oct.'87 107.6	Sept.'87 104.6	Nev.'86 105.4	+3.6
				Source loves	d ISS Farnet

Gloomy outlook for cocoa price talks

the outlook for the international Cocoa Organisation (Icco) talks which continue this week in London on measures to halt the inex-orable slide in world cocca prices. Producer and consumer coun-tries remain far apart after open-ing discussions last week on fur-

ther measures to support prices and on whether the level of prices which the organisation is fending should be lowered. The price of the benchmark second position futures contract in London remains at five-year in Louison remains at 1192-year lows. It closed on Friday at 1998 a tonne, down 213 on the week from 21,010 – a level which itself marked a fall of 257 on the previ-

ous week.
The main factor overshadow The main factor overshadowing the talks is the debts owed to the organisation by the Ivory Coast, the world's higgest producer, and Brazil, which between them are believed to be behind in their payment of levies to the tune of \$40m. The frony remains that if the price had not fallen so sharply in the past six weeks, the manager of the buffer stock would not have been able to complete his purchases.

plete his purchases.

In reaching the maximum permissible level of 250,000 tormes in the buffer stock, which aims to defend prices by taking surplus cocca from the market, the manager triggered the crisis talks.

Last Wednesday the cocca market cock arms heart from news ket took some heart from news that the international Monetary Fund had approved loans to the ivory Coast, part of which were immediately available to compen-sate for weak commodity prices. But a senior delegate at the Icco talks made it clear that his coun-

try would not use the money to clear debts to the organisation. Unless alternative methods of Clear debts to the organisation.

Unless alternative methods of mopping up surplus cocca can be found, icco must under its rules agree this week to implement a withholding scheme designed to take a further 120,000 tonnes of cocca off the world market. But the buffer stock manager has only \$7m in the kitty and consumer countries believe this is too little to finance any further support measures.

Splinner for Boeing.

The 141 customers worldwide for the 2,001 aircraft so far of the 2,001 aircraft so far sales over 1,500 have spent meanly \$45bn on initial procurs meanly \$45bn on initial procurs meanly \$45bn on initial procurs meanly \$7m in the kitty and consumer countries believe this is too little to finance any further support measures.

Moreover, talks in progress to US Air deal.

The first 737 entered service on the order books by the end of the spent meanly still one of the biggest users. That afteraft is still in service.

Boeing pits the 737's success down to several factors. One is a support receded the part of the production is running at 14 sircraft and the order books by the end of the which is still one of the biggest users. That afteraft is still in service.

Japanese groups end exports to S Africa

it emerged that exports to South

TWO leading Japanese exporters restrain business with South years have averaged about have decided to stop sales to Africa, Japan's powerful Federa-Y550m a year.

South Africa after mounting their own sales volumes. The main contributors to Japan's trade organisation, a contributors to Japan's trade organisation, a guasi-governmental body, has south Africa in 1987.

At the same time, Japan's trade with South Africa organisation, a quasi-governmental body, has can inade because of that county decided to close its office in Japanese government officials try's discriminatory racial poli-publicly admitted their embar-rasament earlier this year when

As a result, Pioneer Electric, a Africa had grown by 19 per cent big audio company, and NEC, a last year to \$4.27bn, giving Japan leading electronics concern, have the dubious distinction of becomes aid they will discontinue sales ing South Africa's biggest trading to South Africa from Japan. Pio-partner. heer's exports to South Africa Although officials have not totalled Y850m last year, while directly asked companies to NEC's exports over the past five

Tokyo takes over lead in currency reserves league France, New Zealand, Norway and Iceland also had

JAPAN replaced West Germany in 1987 as the nation holding the most currency reserves, the International Monetary Fund said yesterday, AP reports from Washington.

Japan's reserves gained \$32bn in value and reached \$81.1bn, the IMF said, while West Germany held \$78.3bn worth at the end of 1987. The US lost \$8.7bn for a total of \$34.8bn, dropping from third to fifth place behind Taiwan with \$74.1bn and Britain with \$41.7bn.

the Fund's own money, the Special Drawing Right, and the level of its account with the Fund itself. the Fund liself.

The Fund lists gold separately. Japan took over as the biggest holder, with 61.5hn cunces in January this year, up from 35.4hn at the end of 1986. West Germany's stock of gold rose to 59.2hn ounces from 45.6hn.

educed reserves. Reserves include a country's

foreign currencies, its stock of

decided to close its office in South Africa.

expected to follow Pioness and NEC's example, Industry observers point out, however, that many of Japan's big exporters could easily make sales to South Africa through their offshore production facilities in Southeast Ada thereby madesing Japan's Asia, thereby reducing Japan's sular level.

PRESIDENT Hussain Muham-

Results from 279 constituencies gave Jatiya 238 seats, the Elec-tion Commission said yesterday. The Commission said the Comand Opposition Party, a coalition of 73 political groups, won 15 seats, two more small groups

Japan's trade with South Africa are its car-makers which accounted for about 40 per cent of total exports last year. Japanese car-makers have nearly 50 per cent of the South Africa market, with sales of about 310,000 per cent of the South Africa market, with sales of about 310,000 per cent of the South Africa market. units. So far, none has made any move to restrict sales to South

Japan does ban direct invest-ment in South Africa and limits

Ershad's party takes 75% of Bangladesh seats

mad Ershad's Jatiya Party in Jatiya Party candidates were Bengladesh has won more than elected unopposed last Thursday. Three-quarters of the seats in parliamentary elections matted by affer a candidate was shot and bloodshed and charges of frand, AP reports from Dhaka.

President Ershad, a former gray centeral refuses to steep

won two seats each and indepen-dents won 22.

army general, refuses to step down as the opposition demands. On Saturday, nearly 10,000 anti-government demonstrators proested in Dhaka's main square, denouncing the election.

Opposition leaders Mrs Shalkh
Hasing and Mrs Khaleda Zia said
the people had rejected the election in response to their eall. Demand for tankers falls again

SHIPPING REPORT

By Kevin Brown,

DEMAND for large tankers fell again last week as charterers delayed oil purchases in the expectation that the price would continue to fall.

Brokers said refiners had been drawing down stocks for some time, aided by the mild winter in north-west Europe.

to the west Europe.

Up to 18 VLCCs/ULCCs were believed to be at sea with unsold cargoes — half a dozen in the US Gulf laden with North Sea oil, three to four off the UK carrying franian crude, and up to eight at sea with Saudi crude.

There was some demand for large tankers in the Middle East Guif but brokers said this was largely confined to charterers ful-filling contractual liftings. E.A. Gibson, the London bro-ker, said Japanese and South

Korean charterers had fixed a few vessels at around Worldscale 31-32 to the Far East and Exxon later fixed a vessel of 260,000 tomes to the West at Worldscale

831₂.
Demand for smaller ships also limited.

Boeing 737 flies on into a class of its own

THE ORDER by US Air, one of are still in service but they are fleet of more than 1,500 sircusft dince Hay in the Far North with advanced-technology 7J7 150-seathe biggest US airlines, for 50 ageing and part of the 737 market in service has carried in all its Alaska Airlines as it does with the aircraft with the revolution-beeing 737 twin-engined airlines is coming from airlines trading in versions more than 2bm passen. Air New Zealand at Invercargill ary prop-fan fuel-efficient gers and covered over 11bn miles, in South Island. (with an option on a further 30), 127s.

has enabled Boeing to set a But Boeing is also regularly record in jet airliner manufacture. The 737 has broken through the 2,000 aircraft barrier — the only jet airliner to achieve that

The US Air deal is worth \$1.500 — rising to \$2.50n if all the options are taken up — confirming that the 737 is a big moneysplaner for Bosing.

The 141 customers worldwide

Michael Donne on

the track record of an airliner that has

But Bosing held on and today the 737 has become a "family" of arrivers, ranging from the Series 300 of about 135 seats to the Series 400 of about 146 to 170 seats, with the new 108-seater

duction in 1965 sales were aluge to the Boeing philosophy of have gish and at one time Boeing seri-ing spare parts easily obtainable. outly considered cancelling the But perhaps most significantly, it is comparatively cheap to buy — between \$20m and \$30m accord-ing to model — and easy to fly. Much of the British inclusive

tour package holiday business has been built on and is sus-tained by, the 787. UK sirtines, notably British Airways and Britamila, are among the world's biggest individual buyers of the aircraft, and today there are 108 in service on the UK register with another 24 still to be deliv-

with more than 28.5m landings — It has built built in a record of more than 28.5m landings — It has built built in a record of more take off and landing every extraordinary reliability — 99 per in seconds of the 24-hour day. Cent-plus — while airlines and Series 400, seating around 150 That is quite a record, bearing other operators pay tribute to its in mind that soon after its intro-ceasy maintainability, largely due advanced technology CFM-56 duction in 1968 sales were along to the Boeing philosophy of have say built jointly by Snecma rish and at one time Boeing age, in the Boeing philosophy of have the control of the part and General Electric of the central Electric

which recently made its maide flight and enters service later this year, as its answer to the European Airbus A-320 150-seater and it is vigorously promoting

As the US Air order proves, there is no sign of demand slack-ening and although Boeing has never been a company to count its orders before they are signed, its executives are quietly confident that by the end this century written into the books.

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Contracts & Tenders

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THE MITSURISHI RANK, LIMITED
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Dated: 7th March, 1988

Art Galleries RICHARD

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39 Dover Street, W1 493 3939 "GOOD COMPANIONS" Paintings of Dogs and Cats Mon-Fri 10-6, Sats 10-4 Opens February 10

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the order books by the stid of the trains, the west German arrives, craft a month is likely later this ered.

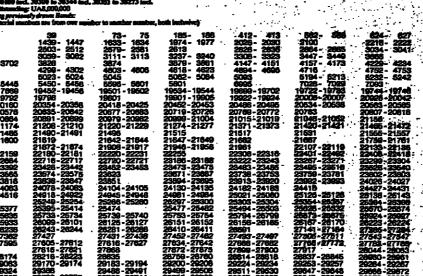
The Boeing 737 in all its versions has outstripped the world's vice today, with Ansett of Austraprevious best-selling jet, the lia, and has logged 30,000 revenue three-engined Boeing 727, of flying hours with 37,000 landings.

Which 1,331 were sold. Many 7278 trained of the big-set users, with 85 737s already in down to several factors. One is its fiest before the latest order. This continued strength of the sheer rugged strength and the sheet rugged strength an

anyanced technology crasses engines, built jointly by Snecma of France and General Electric of the US, which are also used in the Series 300 and 500 models, replacing the Pratt & Whitney engines used in Series 100 and Boeing sees the Series 400.

Company Notices

SOFTE-SOCIETE FINANCIERE POUR LES TELECOMMUNICATIONS ET L'ELECTRONIQUE S.A.



NOTICE TO THE HOLDERS OF THE OUTSTANDING

U.S. \$300,000,000

1%%CONVERTIBLE BONDS DUE 2002

2%%CONVERTIBLE BONDS DUE 2002

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OF

THE MITSUBISHI BANK, LIMITED

THE MITSUBISHI BANK, LIMITED

(The "Bonds" and the "Bank" respectively)

NOTICE IS HEREBY GIVEN to the bolders of the Bonds as follows:

At the mention of the Bonds as follows:

At the meeting of the Board of Directors of the Board of Directors of the Bank held on Z2nd February, 1988, the resolution was adopted to issue on 20th May, 1988 new Shares by way of free distribution on the basis of 0.05 new Shares for each existing Share of the Bank held on 22nd February, 1988, the resolution was adopted to issue on 20th May, 1988 new Shares by way of free distribution on the basis of 0.05 new Shares for each existing Share of the Bank held. The record date for the determination of Shareholders entitled to receive the free distribution is 31st March, 1988.

1988, Tokyo time.
THE MITSUBISHU RANK, LIMITED
By: The Mitsubishi Bank, Limited
London Branch
as Principal Paying Agent
Dated: 7th March, 1988

LEEDS BRADFORD

Applications we invited from suitably experienced Companies wishing to tender for the operation of the Board Store at the rapidly expanding Leeds Bradford elirport. The closing date for receipt to tenders is 10.00em Friday 25th March 1988. Tender document are available from: Assistant Director (Property Services City of Bradford Metropolitan Countil City Hali Bradford 881 1HY rel J. Risknerth (Tel. 0274 764288

Fiscal Agent KREDIETBANK S-A Control perfected STANWICK INTERNATIONAL CORPORATION S.A. Registered Office: Luxernbourg, 14, rue Aldringen nmercial Register: Sed 8 13142

NOTICE OF EXTROARDINARY GENERAL MEETING OF SHAREHOLDERS An Extraordinary General Leading of Shareholders of STANWICK INTERNATIONAL CORPORATION S.A. will be taid at its registered office of Lustenbourg. 14, rue Aldringen, on March 16, 1988, et 10.30 a.m. for the platfolde of considering and visting upon the following middless. Bederath of a dynamic

The chartholders are advised that so quorum for the Extraorditary General Moding is relative and that disclains will be taken by the senjarity, of shares present of restreated. In order to take part at line repelling the owners of heaver shares are required to deposit their states that buildness days before the mouting at the registered office of the Camplany, 14, the Antringes, Lus-embourg, or with the following banks:

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NOTICE TO WARRANTHOLDERS OF

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(2) As a result of such the distribution, the subscription price in respect of the captioned warrants, which is currently 882 Yes per share, will be reduced to 840 Yes per share of the company's common block in accordance with others 3, pursurants (1) of the instrument. The riplich jrich will become elligible on het April, 1988, Tokyo time, which is the day

The Chipode Fire and Marist Insurance Company Limited By The Long-Yean Credit Stant of Japan, Limited London Branch Principal Paying Agent and Warrant Agent

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Contracts & Tenders

ANNOUNCEMENT FROM EREGLI IRON AND STEEL WORKS, INC., TURKEY

(ERDEMIR) ASSISTANCE ASSISTANCE AND ADDRESS OF THE FOLLOWING PROJECT WITHIN THE "CAPACITY MAPPINOVENIEST AND ADDRESS ASSISTANCE OF PROJECT" In the integrated steet plant of Entire the Calif. Fabricalari T.A.S. located at Kdz. Eregii, Turkey, Characteristics and the resume of the project are summerized as follows:

Characteristics and the resume of the project are summarized as follows:

Project Remit: BCF CARACITY MAPROVEMENT AND MODERNIZATION.

The work to be performed by the CONTRACTOR is briefly to improve the productivity, efficiency, quality of steel produced, provide automation required by the content BCF isothroby, reduce pollution to comply with Turkish Ar Pollution Standards, and at the strill firme produce an additional 400,000 tonnes of liquid steel over the present annual capacity of 2,000,000 tonnes. The CONTRACTOR shall deelor, detail, furnish all material and equipment except those specified in EFUELMER's acops and supervise the eraction to be made by ERCHARR, for a compilate operating and supervise the eraction to be made by ERCHARR, for a compilate operating and supervise the eraction to be made by ERCHARR, for a compilate operating and steep free tepping teatilities; new congent ences and westers gain distinging systems for sech vessel; a sublance at each vessel and a computer to make sharps estoulations, operate sublance at each vessel and a computer to make sharps estoulations, operate sublance and provide records of operations; two make sharps estoulations, operate sublance and provide records of operations; two make sharps estoulations, operate sublance and provide records of operations; two make sharps estoulations and step elementary that the problem and steel enterpreture of the provide records of operations of the previous and the previous make the providence to accompose both larger heat size, and the relocation of facilities. At of these improvements will be reade in his operations should be a provided to the previous makers and the previous makers and exception to origining operations.

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2-Tender documents for the project mentioned above may be obtained from the tollowing address as of 07. Merch 1985 and after depositing 750.000, Turish lives to ERDEMIR Cashier's Office at Kdz Eregi-TURKEY indicating the project family.

ERIDENTR Vice President Purchasing Foreign Purchases Department (SA.17) Kdz-Eregi, TURKEY S-Bid closing cines in 11 July 1988 and no seeled bids shall be taken into consideration for evaluation is automitted to our above mentioned company consideration for eventure, address after the said date.

4-Our Company reserves the right to place the order either partially or completely with any blodder of to cancel the tender completely. The tedelot of quotations shall in no way be binding upon our company. 5-As the finance source, either SUPPLIER'S CREDIT or any credit in foreign currency to be provided by Erdemir shall be utilized.

6-During the bidder's qualification, following points shall be taken into consideration:

(a) Sidders-must have adequate experience for the establishment and/or moderated on of similar facilities. If the bidder is a trading company, the hids must be submitted together with other fally qualified sub-supplier(s) whose qualified tenset the above hernforned requirements.

(b) The sub-supplier(s) so soluted by the bidders must be well experienced companies in their respective fields.



They're not really called Hyperspace Haulage. But (who knows?) one day they might be.

Last year they were a freight forwarding company with a £5 million turnover and expanding fast. So fast, in fact, that they were threatening to self-destruct on their own success.

Although they had an overdraft facility with another bank, they were finding it still wasn't enough for their needs.

Unfortunately for Hyperspace Haulage, the bank was unwilling to increase its exposure — even though the overdraft was secured by directors' guarantees and second mortgages.

Enter the NatWest Group.

One glance at Hyperspace's operation showed that the nature of their business involved large debtor balances (over £1 million at any one time). Our suggestion: invoice discounting.

In other words, NatWest arranged to pay Hyperspace up to 80% of every single invoice the moment it was raised.

The result in this case was that Hyperspace no longer needed that overdraft.

Cashflow was instantly improved.

The balance sheet now looks healthier.

And the directors no longer have to put up their homes as security.

Hyperspace Haulage had never considered

invoice discounting, simply because they had never heard of it.

No wonder; their business is freight forwarding. And NatWest's business is banking.

But by taking the trouble to get to know their business, we were able to take the initiative and offer an innovative solution.

"Hyperspace Haulage" now face a future where the sky is very probably <u>not</u> the limit.

♣ NatWest Business Service





ANTHONY HARRIS in Washington

THIS COLUMN is mainly about a plausible, handsome and dishonest politician called Richard Gephardt, and I very much hope that it is a waste of

paper. We will know by the end of this week, when his showing in the Democratic race on er Tuesday will be a matter

ON THE ceiling of Giorgio

Armani's office is a circle of a

fresco by Tiepolo, the Italian master of the baroque. The fresco

The smart money in Wash ington is expecting him to make a strong showing, and that could be dangerous for the markets and the economy. It is time at least to try to

understand him. Until very recently, there has not been much in the race on either side to excite the markets, or an economic

All the candidates talk about the deficit, but the only one with a hard programme to attack it. ex-Governor Bruce Babbitt, won nothing but the admiration of the serious

The Rev Jesse Jackson has

some proposals that would appeal to the old left in the British Labour Party. Among them are a national vetting system for industrial investment plans, and a proposal to make the granting of trade union rights a test of fair trad-ing practice in foreign comeptitors. Nobody has taken much notice, because nobody expects Mr Jackson to be on the Demo-

cratic ticket. Mr Gephardt is quite a dif-ferent kettle of fishiness. He is a youngish Congressman whose skill at being all things to all men has carried him rap-

L400bn (£200m).

begins at 8am and rarely ends before 8pm. Unlike other design-

ers - who, having made their mark, cheerfully delegate the workaday business of design to

each of the 3,000 or so items

Gephardt's genie of ignorance

idly to important Democratic posts in Coongress. In this respect he is an opposition version of Senator Robert Dole, who is accused of having spent compromises that he no longer believes in anything identifi-

However, while Mr Dole has gone to the country with all his Senatorial vagueness intact, Mr Gephardt has com-pletely redesigned himself for the campaign, from the eye-This consummate Congres-

sional insider is storming round the country as an angry outsider, and voters seem to believe it - as a fellow-Congressman sourly points out, he has already fooled the professionals, so why not? (I have borrowed this thumbnail sketch, and the quotation, from the invaluable Ms Eliza-beth Drew of the New Yorker.) He is playing to the gallery with a carefully calculated mixture of populism and xemo-phobia, and the blue-collar

seats seem to love it. He has taken this line partly because his only core financial backing comes from a few trade unions: the fact that they like Luddite nonsense helps to explain why they have so little influence in the US these days. However, it is also based on careful market research — it is even said that his famous pro-tectionist television advertisements pick on Korea and Hyundai cars for fear of upset-ting the numerous Americans

much space explaining to Financial Times readers why Mr Gephardt's slogans are more carefully worked out trade proposals he has put up as an amendment to the Trade Bill now in committee in Con-

who love their Toyotas. That is

His trade proposals call for retaliation against any coun-try with a large bilateral sur-plus with the US which can be

accused of "unfair" discrimi-nation against US exports. The obsession with bilateral balance ignores the most elementary trade theory, and the terms of the amendment are

unworkably vague. His charges against Korea, based on the high price of US imports in that country, suggest that he does not know the difference between a tariff and Nobody knows whether he

Robody knows whether he really believes this rubbish (or anything else, for that matter): the danger is that if it goes down well enough with the voters this week, he will be forced to behave as if he believed it, and that he will have either condidates of both. drag other candidates of both parties down with him. Mr Gephardt, who is intelligent even if he is unscrupulous,

He likes to insist in television debates that he is just as much in favour of free trade as anyone: he just wants to be tougher in pursuit of it. But it is the xenephobia, the idea that little yellow men are stealing good American jobs, which hangs in the air.

In terms of actual trade pol-icy, the Gephardt menace is easy to overstate. The reason is simply that despite President Reagan's publicly stated belief in free trade, and his determination to veto the Gephardt measure itself, he has in reality been the most protectionist President for a

long time. More than half of US trade is new covered by some 250 quo-tas, embragoes and "restraint" pacts introduced since he took office, and a Gephardt rule would not make things very much worse.
In any case, industrial opin-

ion is turning against such measures. The computer indus-try has now protected itself into a crippling shortage of vital chips, there are local steel famines in the middle of a world glut, and above all industrial self-confidence has been reborn. US prosperity now depends on the export boom, and nobody in office will want to endanger that by

initiating a trade war. The threat is, rather, in the financial markets. As Mr Alan Greenspan has been pointing out repeatedly, the stability of the dollar and of US growth rest largely on the willingness of fund managers to buy Amer-ican. They could be put off by insults or by protectionism, as their opposite numbers nearly a century ago were by William Jennings Bryan's "Cross of

Gold" campaign.
They could also fear being frozen out of the market alto-gether if the latest nationalist slogans, raising the fear of foreign control of US industry and real estate, get a good response in the opinion polls. Any true "menace" here has little to do with the Japanese, by they have high visibility when they become landlords and collect rents. There are also populist traps for indus-trialists: the German bidder for the firm which makes

Astroturf, on which American football is played, knows this

It is puzzling at first sight to know why protectionist slo-gans should poll so well just now. Manufacturing is enjoying a boom, unemployment is still falling, and American products are competing well at me as well as abroad. It is partly a matter of election politics: Democrats enjoy accusing President Reagan of presiding over the sell-out of

There is a deeper reason, though. The US boom is not doing much for manufacturing jobs: these go to new machines, or to cheaper labour in offshore plants. Populism does not seek to understand technology, or to see the benefits in cheaper goods it looks for a villain. The Asians, and for that matter the multina-tionals, and the bankers and brokers of Wall Street, all fit the part admirably.

Mr Gephardt is seeking votes by letting this ignorant genie out of its bottle. Even if it proves to be a tired old pantomime genie with no staying power, he ought to know bet-

INTERVIEW

In his own fashion

Alice Rawsthorn meets Giorgio Armani

is the room's sole concession to the decorative. The rest of the room is painted in a cool, neutral There are frescos and neo-classical columns all over the palazzo in Milan where Armani lives and works. None, save the tiny Tie-polo, are visible. To Giorgio Armani frescoes and columns

could constitute a distraction. The whole building has been faced with panels in the neutral shades of beige and grey which are more conducive to his work. "To me, work is essential," he says. "If I cared about money, I would have given up five years ago. Instead I care about my work. I always want it to be bet-

ter. And it is still not good enough."

This week the peace of the Armani palazzo will be overrun by the mèlée of models, photograble to be.

The Armani working day hers, journalists, buyers and socialites who are now congregating in Milan for the autumn womenswear collections.

Milan emerged as a force in the international fashion industry in assistants - Armanl is person-the late 1970s. Its designers are ally responsible for the design of now as influential as those of Paris, New York and Tokyo. Giorgio:
which bear his name every year.
A team of 10 designers work
the Master of Milan" as Women's
Wear Daily, the US fashion trade
paper has dubbed him — is the
most influential of all.

The John of So Reins
which bear his name every year.
A team of 10 designers work
with him, finding suitable fabrics
and suggesting ideas. Armani not
only makes the deciding choice of
fabric, but vets all the "rejects"

The sharp-shouldered suits and is responsible for all the final which bear the Armani label design ideas. He also fits and fin-have become the corporate uni-ishes every part of the collection. form for bright young bankers
and brokers from Manhattan to
Marunouchi. The jeans and jackinterests outside his work and ets of Armani's Emporio collectrarely leaves Italy. In Milan he - "a very well-designed basetion are as fashionable among moves between the two palazzos ment" - beneath his home. It the Burgy Bars of Milan as the the one in the Via Bougonuovo is flash young football fans filling the design centre, the second in the disco pubs of London's East the Via Durini houses adminis-End. the Via Durini houses adminis-tration. At weekends he may

one of the world's most success-try homes. Wherever Armani is, ful clothing concerns selling to he works. Even on holiday he 2,000 shops all over the world sketches designs.

Armani fell into fashion design "by accident". The son of the manager of a transport company in Piacenza, north-west of Milan, he originally studied medicine. with annual sales of more than Giorgio Armani, its architect and sole owner, is now in his early 50s with a secure place in the annals of fashion design and After dropping out of medical incalculable personal wealth. Yet school be joined La Rinascente, he is as far removed from the Milan department store, as a buyer. In 1975, after 10 years as a

PERSONAL FILE

1955: Began medical school 1957: Joined La Rinuscente depart ment slore, Milan, as a buye

1970: Became a treelance de 1975: Founded the Giorgio Armani design house with Sergio Galectti 1981: Launched Emporio Armani 1984: Sergio Galectti died, Arman took sole control of business.

designer for other companies, he set up his own business with Sergio Galectti, a close friend. The first Giorgio Armani col-lection was sold from a basement

"The reason why everything happened so quickly, was that it was time for a change in fash-ion," he says. "Fashion then had Today the Armani empire is migrate to one of his three countries and clothes were try homes. Wherever Armani is, all clothing concerns selling to he works. Even on holiday he look elegant, but it was as if to he works all over the world sketches designs.

"My idea was simple: that clothes should fit in with people's lifestyles and that elegance ne not necessarily involve dressin up. The clothes that I designe were elegant but they were also comfortable and easy to wear. They were the sort of clothes that people had been waiting for." The success of Armani's first

collection assured him of a place among the leading international designers. It also coincided with the emergence of Milan as a cen-tre of design — and the advent of other Italian designers such as Gianni Versace and the Missonis - and marked a watershed in the development of the Italian textile

in Italy there is an exception-ally close rapport between high fashion designers and the giant textile groups. The Italian textile industry traces its origins to the cloth artisans who have flourished for centuries in the North-

During the post-war years, the trate on design.

Marshall Plan's influx of US aid Armani, who Marshall Plan's influx of US aid
Armani, who inherited Galcreated a core of huge production eotit's half of the business on his plants. The modern textile indusdeath, has since run the comvery well-designed base—beneath his home. It is instant success.

Try gathered momentum in the pany. "In the early days it was beneath his home. It is instant success." It is instant success.

1970s the Italian industry was nothing about finance. But I am a firmly established as an impor-tant international source of tex-

> the Italians were shrewd enough to realise that a thriving domes-tic design centre could be of inestimable benefit to their own busi-nesses.
>
> fer. Now I have become more objective. I can even look at my The textile giants of Italy have work as if I was not the one who since put great effort into forging production links with the Milan

> in the design houses.
>
> As a result, the designers had As a result, the designers had last year hearly half of the access to the high-tech production plants and capital they with a quarter coming from the needed to build up their businesses. Meanwhile the Italian intends to develop the Giorgio textile industry, basking in Armani collection in Europe and reflected glory, has gone from the US and has just concluded

strength to strength. A company like Gruppo GFT in Turin which manufactures for Armani, among many other designers is now one of the largest clothing concerns in the world.

Armani is convinced that the extile industry's contribution has been crucial to the success of the Milan designers. "What happened in Italy," he says, "is that the manufacturers realised that to keep the industry going they had to explore the innovative ideas and the talent of the design-

"At the same time the de ers realised that they needed to work with the industry. A designer can have great ideas, but those ideas are useless without the right fabric, manufactur-ing capability or good people to do the work.

"In Italy designers and manufacturers have worked hand in hand: both moving in the same direction. It is this partnership which has been so successful."

The Armani business grew steadily throughout the 1970s and early 1980s. It opened boutiques in big cities both in Italy and in other countries; and negotiated licensing agreements to expand into new fields, such as the per-fume it developed with Helena Pubmetters.

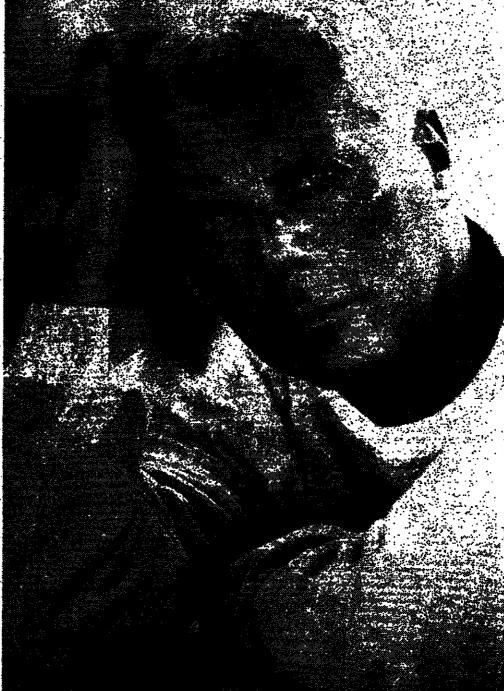
But in 1984 Galeotti died Armani lost not only his closest friend, but the linchpin of his business empire. Until his death Galeotti had handled all the financial aspects of the fashion house, leaving Armani to concen-

firmly established as an impor-tant international source of tex-tiles. All it lacked was prestige.

Whereas in other countries, ming ten years of university into

whereas in other countries, textile manufacturers have tended to shy away from the ethereal world of the designer, cial people and I enjoy it. My the italians were shrewd enough creative work has also benefited. Before, if anyone criticised my designs, I would suffer, really suf-Over the next few years the

designers, frequently contributing to promotional budgets and, be to continue the international in some cases, investing directly development of the Giorgio Armani and Emporio collections. Last year nearly half of the



negotiations for a joint venture interest." There is already a quishing his control of the businegotiations for a joint venture in Japan.

The plans for Emporio, the leist remains a plans for Emporio shops in lialy. The concept will now be expansively from the world of design.

"I want the Giorgio Armani house to become a legend," he says. The business is a loose web, but the cobweb is closing. That is why I still work so hard."

Industriekreditbank Reports Industriekreditbank AG - Deutsche Industriebank (IKB) is a private-sector commercial bank specializing in medium and long-term fixed-rate loans at up to ten years and longer. The shareholders are institutions prominent in West Germany's financial and business community. IKB's clients comprise

April 1 - December 31, 1987

nearly 7,000 corporate borrowers - primarily medium-sized firms. The Bank arranges its facilities through its own medium and long-term bonds and notes - financial instruments which are considered highly attractive investments

A notable increase in loans to customers by DM 960 million highlights the first nine months of the current financial year. The balance sheet total rose by a healthy DM 1.4 billion (7.7%) to DM 20.3 billion as of the end of the third quarter. Over the same nine-month period net interest income climbed to DM 204 million, 6.3 % above the 1986/87 interim results. The overall outlook for earnings for the financial year ending March 31, 1988, is favorable.

- in DM million -

		Dec. 31, 1987	March 31, 1987	Change
	Assets			
	Cash items and checks Due from credit	33.8	69.5	- 35.7
	institutions of which long-term	3,563.5 (1,192.4)	3,382.2 (894.0)	+ 181.3 (+ 298.4)
	Bonds Other securities	873.5 5.2	666.9 11.7	+ 206.6°
	Due from customers of which long-term	15,126.5 (14,752.2)	14,167.0	+ 959.5 (+1,034.1)
	Total Assets	20,257.7	18,814.2	+1,443.5
	Liabilities			
Industriekreditbank AG	Due to credit institution of which long-term	(4,858.8)		+ 188.2 (+ 108.2)
Deutsche Industriebank	Due to other creditors of which long-term	4,627.4 (4,512.4)	4,271.6 (4,149.6)	+355.8 (+362.8)
	Bonds of which long-term	7,600.3	6,769.5	+830.8
	Share capital and reser		745.5	(+677.6) 9.0
Committed to Enterprise	Total liabilities	20,257.7	18,814.2	+1,443.5

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A question of confidentiality

GEORGE Bernard Shaw once rebuffed an entreating friend who wanted the great man to reveal a secret, by saying that while he implicitly trusted the friend, he could not be certain about all those people to whom the friend might be talking.

That paradoxical Shavian remark does not appear to have crossed the mind of the Vice Chancellor, Sir Nicolas Browne-Wilkinson, when he beld in a judgment delivered on February 26* that there was no reason why private information relating to sexual conduct could not properly be the subject of a legally enforceable duty of confidentiality, not just against the garrulous confident but also the newspaper to whom the information was

The background to the law suit presented a domestically unattractive picture. A husband had killed his wife. His trial and conviction for manslaughter attracted wide pub-licity, including information of a lesbian relationship between another woman and the husband's wife, which was published in a newspaper. This revealed the other woman's identity as the person whom the husband alleged he had

surprised with his wife. That other woman had communi-cated the information in strictest confidence to someone who ed it on to a journalist and passed it on to a journalist can-hence on to a national newspa-

The attempt by the three recipients of the information (who were said to have been in breach of confidence) to have the action struck out failed. Since the case will now go to trial, the issue of whether the circumstances in fact gave rise to an action for breach of confidence will still have finally to be determined. The argument that the law did not give rise to a cause of action was rejected by the Vice-Chancellor. He said that it was legally incorrect to say that, in the absence of a legally enforceable contract or a pre-existing relationship, such as employer-employee or doctor-patient, it was impossible to construct a legally

enforceable duty of confidence. The main argument centred around the sexual proclivities of the parties relative to the lesbian relationship. It was argued that the law did not protect such grossly immoral conduct. But the judge, who displays a keen awareness of contemporary social mores, and is himself the antithesis of the mythical English judge who is said neither to know nor appreciate little or any-thing of how ordinary people live their lives, was unwilling to dub lesbianism as morally shocking.

There is, the judge said, no

commonly-held view that sex-ual conduct of any kind between consenting adults in private was grossly immoral. Such sexual conduct was entitled potentially, therefore, to some protection from prurient and prying newspapers.

The judge acknowledges that the case raises the fundamen-tal clash between the individual's right not to have his privacy invaded and the media's right to freedom of informa-tion. The intrusion into people's private lives was unpalat-able in the face of hungry and

unscrupulous journalists.

If the confidential information arises intrinsically out of a special relationship - such as employment (particularly in government service) or in a professional setting, such as giving information to a doctor or lawyer - the seal of confidentiality should be univer-sally applied. If there is a leak of any sort, the individual should be allowed to pursue anyone into whose hands the information comes: subject always to the qualification that if there has been widespread dissemination the confidentiality may have been irretrievably lost. That is the Spycatcher sit-uation, as decided by the Court

of Appeal.

But if the confidentiality arises solely from one individual confiding in another some piece of personal information, he should observe the Shavian maxim, that even the most discreet of friends have a nasty habit of letting out a secret, often unwittingly. While it might be right that

the over-talkative should be curbed by the operation of the law, is there any good reason why the recipient of leaked information, who is not himself hound in confidence and is not aware of the confidentiality attaching originally to the information, should be legally bound not to use the informa-tion? For the law to reach out and muzzle the newshound in the circumstances is to extend the bounds of confidentiality too far. If individuals want to keep their personal affairs under wraps, they should restrict the range of people to



whom they reveal the skele-tons in their cupboards.

The real vice that exists, whereby the newspapers obtain and publish private informa-tion for public titillation under the spurious gaise of public interest or even matters of interest to the public (which is a slightly different concept) is the absence of any legal

Wrong

In the absence of parliamentary action, the courts would be better employed in constructing a cause of action for those who have a right to be let alone, rather than to develop, and thereby distort the proper province of the law of confidenIT IS AN attractive idea - a Europe in which possession of a single plastic card will allow holders to get money from electronic dispensers from any num-ber of different banks or even go on cashless electronic shopping

trips across the Continent.
That is the dream started 10 years ago by a senior British banker, Mr Geoffrey Benson, then chief executive of National Westminster, in response to a request from international colleagues to look into possible areas for co-operation between European retail banks.

it has had a long and some-times difficult gestation since then Now, though it looks as if it will become reality early next decade, thanks to a recent accord between organisations represent-ing 40 banking associations in 17 countries in the European Com-munity, Scandinavia, Austria and Switzerland. They are members of the European Council for Payments Systems (ECPS) and their accord marks an important step in internationalising retail bank-ing in Continental Europe. Yet the move has also touched

on old rivalries between Euro-card, the credit card payments system dominant in northern system dominant in northern Europe, Eurocheque, which will share parts of its system, and Visa, its predominantly southern European equivalent. Their com-puter networks, now used by the banks under strict conditions, would form the heart of the new "As long as bankers in Europe want it to happen, it will hap-pen," says Dr Ben yan Eldik the council's chairman and a director system, envisages the accord.
First, though, the payment agencies must sort out just how,

The first step. . is to ensure compatibility

if they get involved at all, they payments freely across the Com-munity. Indeed the technical changes needed — mostly adjust-ments to the software linking ATMs and Etpos machines via will adjust their fee structure and technology to allow full compatibility. None of the payments organisations is yet directly involved in the accord — which at the moment is between banks only - though they do have

At the same time, the Council's attempts to bring the bankers together has shown how trying to create a genuine single European market can sometimes risk dis-

torting free competition.
For that reason, the European ission - normally keen to by the ECs 1992 deadline — is dominated by the Ecs 1992 deadline — is dominated by Eurocard and keeping a close watch on the Eurocheque, the leading membanks' plans, to ensure that they

banks' plans, to ensure that they bers of which helped to shape do not end up creating a cartel to customers' disadvantage.

The first step of the accord is innovative German banks proto ensure compatibility between woked fears from smaller council cash cards as used in automatic members – strongly rebuffed by teller machines (ATMs) within Dr van Eldik – that the accord the next three years. The plan is could give Deutsche Bank an to extend the arrangement for unwelcome opportunity to extend cards as used to buy goods in the shops operating Electronic Funds

Transfer at the Point of Sale (Efficience of the Sale (Efficience) is swear it is "highly likely" that Transfer at the Point of Sale (Effi-swear it is "highly likely" that pos) machines. But that will take Visa, Eurocard and Eurocheque up to two more years to complete will make their networks avail-because the fees are more compliable to the new arrangement, cated and fraud is harder to beat there is still a chance that they

Most major card organisations already make their cards useable their two payment networks so not always possible to use the ATMs in the Eurocheque and same card in different machines. Visa networks could all accept

Cash cards

Surprisingly, perhaps, Spain is one of the most advanced in Europe in this respect, offering widespread interchangeability

between Eurocards, Eurocheque cards and Visa cards in both

ATMs and Eftpos machines. In

most of the rest of Europe, such

flexibility is patchy at best.

Few doubt that the banks will

eventually sort out the chaos,

given that they do own Eurocard. Visa and Eurocheque. The card

organisations were set up in the 1960s to provide computerised

transactions in response to the banks own shortage of expertise in the field. One reason that the hanks now want change is that they have since developed their

own telecommunications skills

enough to reduce their need to

handle retail customers' needs. In that sense, the accord is an asser-

of the big Dutch co-operative bank, Rabobank. "There are

times, however, when the managers of the payment cards do not appear to realise that it is not

their system and that it is ulti-mately owned by banks."

As his comments suggest, a host of extremely sensitive leaves have to be sorted out between the

banks, the card companies, not to mention the Brussels authorities.

before EC citizens can make cash

international payment networks to bank branches - are the least of the challenges that lie shead.

The most pressing practical problem is what role the card organisations will get under the

several times during the 18 months since its formation. This

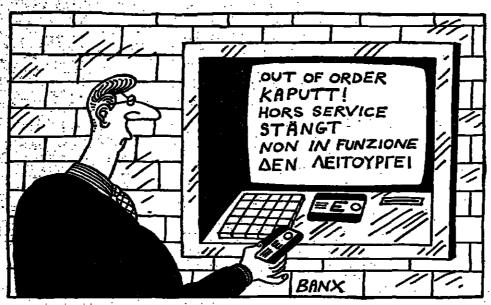
has been to quell the fears of banks belonging to the Visa net-

might decide to stay out.
Their role would be to link

tion of independence.

have payments organisations to

Creating unity — but with a competitive edge



each other's cards. If they refused to join, the banks would have to set up their own bilateral networks between the 15,000 branches owned by the Council's members, a process which would set completion of the full programme back several years.

Other sensitive questions yet to be tackled, include the card companies' identity, their techni-

London with the Eurocard system of running electronic fund transfers between many local Another complication is that

the payment companies run two quite different fee structures. Typically, some of the costs of processing Visa and Eurocards are borne by retailers, whose fee is shared between the local bank accepting the payments — or acquiring bank in industry jargon – and the bank issuing the card. Yet retailers pay nothing for accepting Eurocheques, also envisaged as part of the new

The result is that shon-keeping organisations are worried that they might end up paying more all round as a result of the deal, while Visa and Eurocard are anxious about seeing fee structures eroded. "At the moment, we can't see clearly how to solve that one. We have, however, agreed not to discriminate between cards, accord — even if they are keeping in close touch with the Countries. says Dr van Eldik.

conundrum is how to co-operate without falling foul of EC rules against any kind of commercial agreement distorting free compe-tition. That is why the Council is

of how to integrate Visa's system tion from competition rules, of routing all European payments allowed when "cartels" are set up through one computer centre in to help consumers and generally to help consumers and generally work for the EC's benefit

The aim is to have co-opera-tion on payments networks, but fierce competition at the level of services we provide," says Dr van Eldik. "We want to keep what is done centrally to a minimum." Even so, consumer and retailers' organisations are still wor-

the Commission authorities. Although the accord says banks will remain free to charge what they like for card services, it does signify less competition in determining interbank fees.

However, Commission officials accord - even if they are keep-ing in close touch with the Coun-cross boundaries with dangerous on a political level, the big cilon many of the details, it does, apidity thanks to the scope for after all, dovetail neatly with fast and anonymous payments commission legislation in the accord would bring. "Those without falling foul of EC rules pipeline to set common technical aren't primarily our problems," gainst any kind of commercial standards for Eftpos and ATM says a Council official. "Birt we present distorting free council of the details, it does, fast and anonymous payments the accord would bring. "Those pipeline to set common technical aren't primarily our problems," are waking damped sure that

should give fair treatment to retailers accepting their credit cards, and is working on separate consumer protection rules for

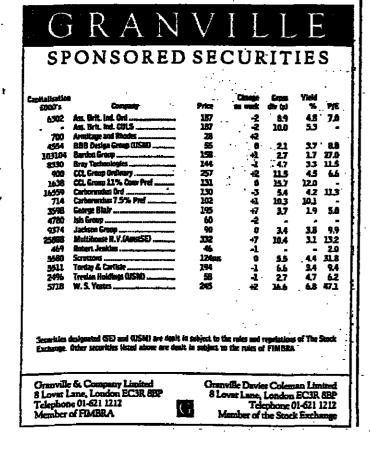
Finally, there is the issue of whether or not the accord will accommodate Diners Card and American Express, the rival US card services and among the plan's most strident critics. Neither has yet been invited to take part, because as non-members of Visa and Eurocard, they have not contributed to the building of their respective networks. This is one reason why American Express is trying to persuade the Commission to scotch the accord

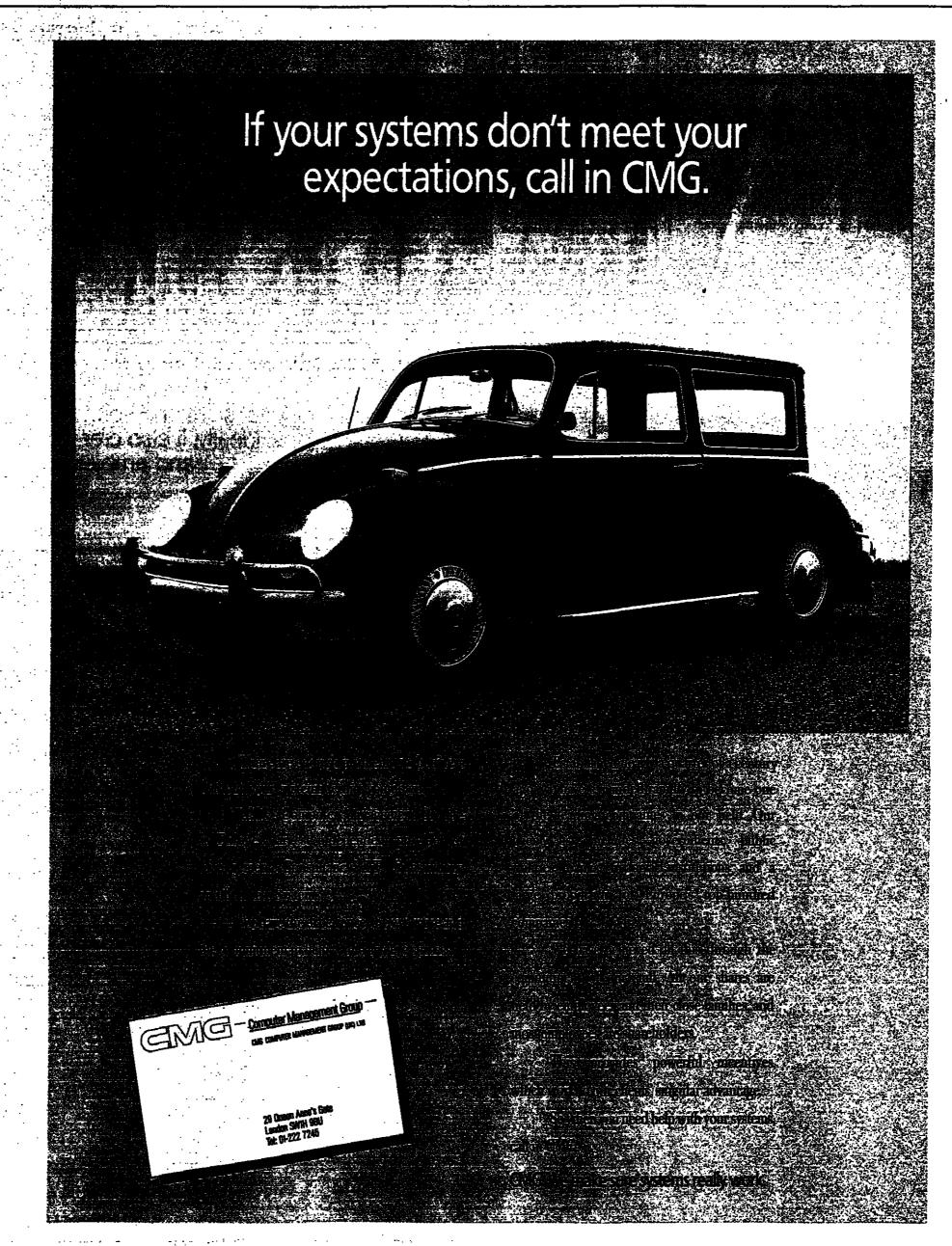
under EC competition rules. ECPS officials do not exclude allowing the US payment compa-nies to join, but the price they will have to pay cannot be fixed until all the other imponderables

There will also be a simple joint logo
simple joint logo
ried, judging by the tone of their letters both to the council and the counc cate national attempts at mone

Then there is the regulatory problem of how national authorities are to monitor the risk that banking disasters - whether they result from customer fraud, terminals, are making damned sure that
Brussels has also produced a regulatory authorities are being code of conduct on how banks kept up to date."

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FINANCIAL TIMES

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NUM votes to end ban on overtime

MEMBERS of the National Union of Mineworkers have voted by a 58 per cent majority to call off a ban on overtime coal production imposed on September 21 in protest at British Coal's introduction of a new disciplinary code.

new disciplinary code.

The move, which may clear the way for negotiations with the corporation on a variety of issues including pay, is likely to be seen as a setback for Mr Arthur Scargill, NUM president, who had argued that the ban should remain in force.

The law which miners would

nan snould remain in force.
The ban, which miners voted by 34,979 to 25,016 to abandon, was widely acknowledged to have had little effect. Areas such as South Wales originally supported it, but have more recently called for it to be ended.

Only these of the NUMBER.

areas - Nottinghamshire, South Derbyshire and Scotland - voted to continue the ban.
Lecastershire (77 per cent) and
North Wales (76 per cent),
voted most strongly against
continuing, and the key Yorkshire coalifield was also against

shire coatrietd was also against by 54 per cent.

Mr Scargill said last night that the vote came as "no surprise," bearing in mind that many NUM areas that had advocated the ban had been leading a campaign to abandon industrial action.

He said the vote should not be seen as a conjecture to the

be seen as aquiescence to the disciplinary code. Miners had voted against continuing the action because they were "frustrated and angry" that it was ineffective — in some areas having "no effect what-

British Coal withheld last year's 4.3 per cent pay increase awarded to members of the Union of Democratic Miners from pits where the NUM is in a majority in an effort to force an end to the overtime ban. The UDM was formed as a breakaway union from the NUM following the 1984-85 iners' strike.

miners' strike.

Mr Scargill said the corputation should now enter talks
"without strings" on a separate NUM pay rise. If it did
not, a special union conference
should be called to consider
taking stronger industrial
action come new

North-east turns investors | Inner city campaign away as factories run out

NORTH-EAST England, one of believed that the region may Europe's unemployment black- soon lose thousands of jobs to spots, has run out of factory other areas with available space. pace for inward investors or With the two new towns in the space for inward investors or existing businesses which want region, Washington and Aycliffeto expand. Companies wanting to Peterlee, now being wound up, bring jobs into the region are sufficiently in the constrained by its fighting an English business for the last sizeable factory in Constrained by its too is constrained by its

the last sizeable factory in County Durham. Each project would create 100 jobs. Last week another would-be incomer was told there was no room in the coastal town of Hartlepool, where male unemployment is the region's bishest at the coastal town of the coastal town of Hartlepool, where male unemployment is the region's bishest at the coastal town of Hartlepool, where male unemployment is the region's bishest at the coastal town of Hartlepool, where male unemployment is the region's bishest at the coastal town of Hartlepool, where the coastal town of Hartlepool where the coastal town of Hartle region's highest at 26.8 per cent. The investor is going elswhere.

Mr Alan Humble, director of Marilepool Enterprise Agency, said yesterday: "All the work being done to attract inward investment is going to waste. Last week we turned away some the end we had to say we were full, despite having more than 8,000 unemployed."

tition policy begun in 1986.

The document recommends a

complete overhant of the more than 30-year-old legislation on

restrictive business cartels.
This legislation, it says, is ineffective in uncovering restrictive

minimum needed to give private builders satisfactory returns. The factories shortage is so

Mr Les Henson, chief executive

of Durham Development Com-pany, said: "The new towns built 300,000 sq ft a year, 60 per cent of our new space. Demand is twice what English Esstes can deliver. "Having taken away regional one we had been working on for nearly 18 months. We hoped development grants, the least comething would turn up but in that Government can do is to

Cartel curbs to be strengthened

SIR GORDON BORRIE, the director general of fair trading, is to tor general of fair trading, is to be given broad new powers to investigate suspected price-fixing and other restrictive business cartels.

The powers will be backed by the proposed legislation to placed on investigations by the Director General. He can take a lamost all agreements between control forming entry at present available to European Commission competition inspectors.

The proposed legislation to replace the existing Restictive Director General. He can take almost all agreements between control forming entry at present available to European Commission competition inspectors.

able to Sir Gordon will enable his

officials to investigate suspected cartels without their first having

to obtain firm evidence that a

The powers will be backed by action against suspected cartels tough new penalties, including only if presented with firm eviling fines and possible prison sentences, for companies carrying comes from a digruntled party to the restrictive agreement who

announced tomorrow by Lord Only then can the Director Young, the Trade and Industry Secretary, in a Green Paper (discussion document) following a the Restrictive Trade Practices

ation, it says, is inef-cartel exists.

acovering restrictive They are also likely to be sents and does not granted powers of search and

The moves are expected to be decides to reveal the deal mnounced tomorrow by Lord Only then can the Di tome, the Trade and Industry General investigate a sus

acute that there is not even enough of a market for market forces to operate and force rents higher. Development agencies feat that the interval before new factories can be built will hit demand in the area, damaging the momentum needed to sustain what is seen as a fragile eco-

nomic recovery.

Mr Jim Wilson, chief planning
officer for County Durham, said:
"Two companies, one from elsewhere in UK the other from West Germany, are competing for same factory and one will lose. Someone else has asked for 40,000

Someone else has asked for 40,000 sq fi which we can't provide."

Mr. Jeffrey Clayton, deputy managing director of English Estales North, said: "We have just had a record week for inquiries, Demand is running 20 percent shead of last year. Rents are likely to rise, but only when there are buildings available."

The north east has to rely on new building because its dissonew building because its disapparing traditional industries — coal, steel, shipbuilding and heavy engineering — could not by their nature create a stock of

bearing energy.

The Government believes that by concentrating on the effects of such agreements rather than the form they take, the new law will

exclude the many innocuous

agreements which are caught under the present legislation. All agreements between two

All agreements between two parties which at present contain any restrictions on their freedom

of action fall within the scope of

to be launched with private sector theme

marketing campaign will high- ing estates. change in policy direction or rise property.

in spending. There is to be no
White Paper (policy document), nor was any formal Government to Parliament planned towards launch costs. The

last night.

The opposition Labour Party local employers for school leavers who meet personal targets. The Prime Minister is likely to emphasise the role of entreprenent has falled them. The ragbag of worn out ideas that Mrs Thatcher is likely to launch shows that she will continue to the launch private sector money into depressed areas.

The prime Minister is likely to emphasise the role of entrepreneurities will give the mer cities. The plan was prepared by the

WIDE-RANGING Government under Mrs Thatcher's governplans for rejunvenating Britain's ment, operate distinctly from inner cities will be unveiled later local authorities and aim to stim-

acl his

this morning by Mrs Margaret ulate economic growth in Thatcher, the Prime Minister, depressed areas by pump-priming and senior ministers in London private sector funds.

A glossy brochure called Action for Cities will draw lege in Middlesbrough, in the together announcements by several Government departments gosed housing action trusts takwith an emphasis on harnessing in gover some council estates, private sector funds and entre-involved road links and a Home private sector funds and entre-preneurs.

The document and associated tion, notably in inner city hous-

light developments in existing Greater efforts are also to be inner city programmes and made to use derelict land include a few new ideas, rather through an extension of the curthan announce any substantial rent register of local authority

shows that she will continue to depressed areas.

fail the inner cities."

Government departments have Cabinet Office and includes probeen asked to co-ordinate a number of announcements already in the pipeline.

The main announcements will Transport and Environment.

Transport and Environment.

Corporations, one in Shaffield area, with an extension of the boundaries of some existing ones.

Transport and Environment.

Among the details which have already emerged are those for a given organisation formed by 11 of Britain's biggest construction boundaries of some existing ones.

These corporations, created city projects.

Publicist Young spurs big rise in advertising budget

BY PETER RIDDELL, POLITICAL EDITOR

ing business.

Both as Employment Secretary and as Trade and Industry Secretary since last June, the advertising budgets of his departments have rocketed, and are set to rise further.

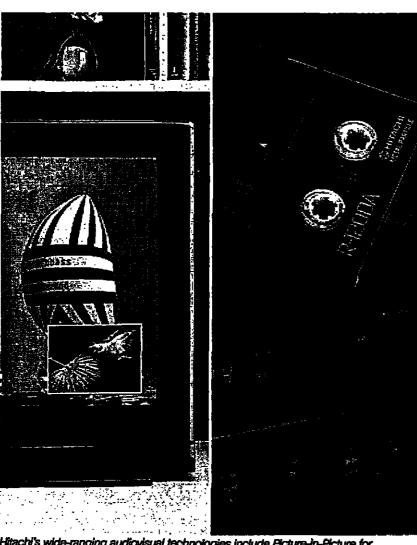
LORD YOUNG, Trade and Indus- in the previous five years com-

Lord Young is an unashamed apologist for getting his message across. "Government pro-grammes are like cornilakes," he has said. "If they are not mar-keted they will not sell." His enthusiasm for advertising is credited within Whitehall as

Legislation following discussion of the Green Paper proposals is expected later this year or early in 1989.

The Department of Trade and being mainly responsible for a fourfold rise in Government on advertising and promotion spending on promotion in three this financial year—as much as years to around £100m.

AV should be more than faithful sight and sound reproduction. Ideally, it also creates drama and ambience.



Hitachi's wide-ranging audiovisual technologies include Picture-in-Picture for simultaneous viewing of more than one programme on a single TV screen, DAT, a high-density projection display, and frame memory used in IDTV.

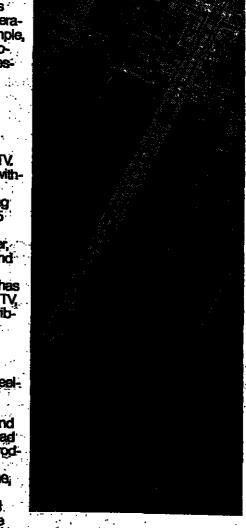


Digital technology (the conversion of conventional signals into computerized zeros and ones) has led to a remarkable proliferation of audiovisual uses - in TV, for example, for more diversified and sophisticated programming and information services accessible through computer connections or videotex terminals. And this is only the beginning. Hitachi's scientists and engineers are

using digital applications such as frame memory to develop Improved Definition TV. IDTV will greatly improve picture quality without changing current broadcasting standards by doubling the density of scanning lines and increasing vertical resolution 1.5 times. This same Hitachi technology has resulted in the Digital Audio Tape recorder. which is capable of superior recording and reproduction.

Hitachi's original screen technology has led to high-density big screen projection TV. using screens up to 110 inches. It is contributing to a wholly new technology, High Definition TV. HDTV is capable of photographic quality resolution and will soon enable satellite services to transmit wide screen images that give the viewers the feel-ing of actually being there.

We link technology to human needs, and believe that our special knowledge will lead to numerous easy-to-use systems and products with highly advanced functions. Our goal in audiovisual - and in medicine, energy and transportation as well - is to create and put into practice products and systems that will improve the quality of life the world around.





ampaighed with Steel hints again at necessity for new leadership

BY PETER RIDDELL, POLITICAL EDITOR

MR DAVID STEEL, the interim joint leader of the new Social and Liberal Democrats, yesterday gave a further hint that somebody else should take on the leadership of the party. However, continuing his recent ambiguous stance, he said many people were

still urging him to stay on. Mr Steel was speaking ahead of today's meeting of the party's interim executive which will ecide the timing of the leadership contest.

During an interview on ITV's Weekend World, he said the con-test could take place in July or October, though he personnally favoured July because he did not want a leadership contest going on month after month. He will not disclose until after the local elections in May whether he will

"I have said all along, from last autumn, that there is an obvious wisdom in a new party and a new beginning of the year before all movement having a new leader, the furore over the joint leaders. Obviously it will take a little policy proposals — now known time to get used to such an idea," as the "dead parrot" document —

Mr Steel argued. when the odd He said, however, that there would stand. were still "colleagues and influential people in the party who told him he should stay on.

He argued that the leadership was not the single most important issue for the new party,

that did not depend only on one

A Harris Research poll in yesthat did not depend only on one person, but on a team approach. He added that whatever he the overwhelming favourite of decided he would be standing voters to lead the new party, again at the next general election with 39 per cent backing him and would be part of the new against 7 per cent for Mrs Shirley

Close colleagues believe the Paddy Ashdown, his most likely odds are that Mr Steel will not successor.

Waldheim war admission

had "a clean conscience."

During an interview on Channel Four's The World this Week.
President Waldheim admitted ing the fate of hundreds of thought that, while he was not involved and of Austrians who were

in the interrogation of the com- drafted into the German Army. I mandos, he knew about it, but came from a family persecuted did nothing personally.

by the Nazis."



David Steel: will decide after May's local elections

stand for the leadership, though he is open to persuasion. This contrasts with his position at the when the odds were that he

The national committee of the continuing SDP under Dr David Owen will meet tomorrow for the firm Mr John Cartwright as president and approve a budget of

terday's Observer makes Mr Stee Williams and 4 per cent for Mr

the Post Office. Informal discussions have already been held between the union and Post Office manage-DR KURT WALDHEIM, the Austrian President, yesterday admitted that he knew about the interrogation in 1943 of six British minster campaign over Dr Waldcommandos who were later executed by the Nazis, but said he interview as "evasive smoke-screen suff, lies and whoppers."

Dr. Weldheim and "I haven not the interview as "evasive smoke-screen suff, lies and whoppers."

This would put an end to the union's role in those offices

gramme, which he estimated could affect up to 5,000 work-ers, might result in an indus-trial action ballot across the entire counter service.

fears call for main office savings

THE MONOPOLIES and Merg ers Commission appears poised to recommend that the Post Office should carry out an extensive programme of cost savings at its main post

offices.
The commission is approaching the final stages of an inquiry into the efficiency of the Post Office's 1,500 main post offices, the terms of reference of which were announced in November.

The Union of Communica-tion Workers, the main postal union, fears that the commis-sion's report will be used by the Post Office as justification for downgrading up to half the main offices into sub-post

The commission, which has met both the union and the Post Office in the pest week, is understood to have centred much of its inquiry on the cost difference between the largest post offices, known as crown offices, and sub-post offices which are run on a franchise basis by sub-postmasters who employ their own, often part-time, labour.

The UCW, in its evidence to the commission, concedes that af first sight the average hourly cost for sub-post office staff appears to be £2.40. This compares with £5.13 for crown office staff:

However, the union argues that the cost difference virtually disappears when allowance is taken of hidden factors, such as the amount of time spent by sub-post office staff on business unconnected with

ment, which told the union the most radical option would be to downgrade half the main

and allow much more flexible use of labour. Mr Krnie Dudley, the anion's officer responsible for counters, said that such a pro-

Postal union Richard Waters continues a Budget series by studying the implications of extending VAT

Younger Nigel's favourite taxation option

A FAVOURITE tax-reforming sixth directive on VAT. notion of the younger Mr Nigel

Lawson, and one which has been sure not to extend VA

ass from income to spending.
There are signs that it is an idea whose time may be coming around again, although immediate political pressures are likely to slow the pace of reform. The Chancellor's preference for

a tax on spending was most that the UK has surrendered sovforcefully expressed in 1984, ereignty on tax matters to
when value added tax was
extended to building alterations
and hot take away food.

An exception could be books,
newspapers and periodicals. In

The following year saw a brake many in the industry worried, put on VAT with the announce giving rise to a campaign almost

ment that it would not be as extensive as the publishers' extended further under the existing Government. As a result, 30 VAT. per cent of consumer spending in the UK still attracts a zero rate of judgments, only one, concerning VAT, a higher proportion than in any other European Community Imposing VAT on the dispensing of spendagon will not be a constructive.

country.

However various lobby groups, in particular those representing book, magazine and newspaper cant on the cost of glasses, or publishers are taking the think the cost of glasses, or

recent European Court of Justice advocate general at the end of rulings, one provisional and one last year, covers new commercial final, requiring the imposition of and industrial buildings and a VAT in zero-rated areas. Those range of other services to bushrulings were prompted by the nesses, including gas, electricity, UK's failure to implement the EC water and sewerage. That will

The Chancellor is under pres sure not to extend VAT further buried under the deluge of com-ment about personal tax reform, itself to keeping fuel, food and was that the burden of tax should children's clothes and shoes VAT-free, putting it at odds with the commission's proposals to bring VAT rates in different

European countries into line.
With a political battle of wills brewing, almost any extension of VAT will create the impression

Beducing some of the tax bur-den on income and applying it Government has avoided any evenly across a wider range of goods increased consumer choice, printed word out of the VAT net. raise an extra £350m. says the

> ment's preference since 1979 for the administrative ease of a sin-The court's final ruling on commercial buildings, expected in May or June, will follow the preliminary judgment, if past experience is any guide.

book, magazine and newspaper cent on the cost of glasses, or publishers, are taking the threat £25m in all, since lenses and of VAT seriously again.

The extension of VAT is likely to receive a boost from two ment, delivered by the court's cellor will announce a change in his Budget speech. However, Customs and Excise is said to be working on draft legislation, and the construction

and property developement industries are talking about when, not if, VAT will be Their main fear is that a

change will be introduced late in the Finance Bill process, giving too little time to discuss the complexities of transitional arrange-

were taxed. They would simply set the VAT they pay (known as input tax) against VAT they receive on their own sales (output tax).

The net effect on the Exchequer, consumers and industry would be neutral: only the sys-tem of collection would change. The £350m bill would be picked

up by companies involved in financial services, education, health or land. Their sales are classified as exempt supplies, meaning that they cannot charge Treasury.

These estimates assume VAT

Those estimates assume VAT

Any input VAT they pay of VAT at 15 per cent on uncomsticks with them, rather than at the current rate of 15 per cent sticks with them, rather than the current rate of 15 per cent on uncomstant the current rate of 15 per cent of the consumer of the current rate of 15 per cent of the current rate of - a fair bet given the Governbeing passed on to the consumer.

Property developers and insti-tutional investors are potentially the biggest single losers. They would pay VAT on new buildings but then be unable to charge VAT themselves on rents or

That judgment straddles the Finance Act process, which makes it unlikely that the Chau-

the sixth directive, member states are allowed to give suppliers the right to opt into the tax system. Taking this "option to tax" as it is known small allows that the publications could be looming in the future. Publications are among the items that

The development lobbyists claim that would be cheaper for their customers. If they were unable to pass on the VAT burden (which most customers Most companies would not suf-fer if new commercial buildings would simply charge more. Customers would not be able to

recover this extra cost. The National Health Service and local education authorities would face other problems over VAT on new buildings. The cost to them and other public-sector

buyers is estimated at about £200m a year by the Building Employers Confederation. Meanwhile, bargaining is going on over the transitional arrangements. Developers and VAT-ex-empt industries are concerned

havor with their budgets.

Less likely in this year's
Finance Act, but still widely
feared in the industry, is the
extension of VAT to newspapers,

magazines and books. The Treasury estimates that VAT on the printed word would resale.

Estimates of what they would pay vary, but the Building prices would wipe £257m, or 7.2 Employers Confederation per cent, off total annual sales of believes developers would pay about half of the £350m.

The first printed warm warm with the first prices would wipe £257m, or 7.2 per cent, off total annual sales of £3.7bn, it says. Those figures are almost identical to those arrived at the publishing industry. There may be a let-out. Under at by the publishing industry, the sixth directive, member Even if it is avoided this received.

tax," as it is known, would allow the EC wants to see taxed at developers to pass on VAT between 4 per cent and 9 per cent through rents, or by adding it to by 1992, as part of its harmonisation rules.

Radical tax reform 'possible'

MR NIGEL LAWSON, the Chanreform of personal tax and is fis-cally responsible, according to surplus of about £2.5bn. City predictions of what changes Mr Davies said Mr Lawson

the Budget could propose.
Mr Gavyn Davies, chief economist of Goldman Sachs, the US securities company, suggests the Chancellor could abolish the higher rates of tax completely and create a single tax rate of 26p

in the pound. Mr Glenn Davies and Mr Andrew Smith, economists at CL-Alexanders Laing & Cruickshank, agree that the basic rate will be cut by only 1p, but sug-gest the higher rate tax band be simplified and tax charged at 35 per cent. 45 and 50 per cent.

cellor, can bring in a Budget next Chancellor could afford tax cuts employee benefits, such as com-Tuesday that represents a radical of £4.5bn and still achieve a pub-

could introduce partially transferable allowances between spouses as part of a major reform of taxation, which would cost less than £3bn in net tax cuts. He could also lower company tax by trality" into the company tax sys-

To pay for these reforms, the Chancellor could abolish the ceiling on employees' national insurlems created by removing the eration.
ance contributions; raise customs national insurance contributions. ance contributions; raise customs national insurance contributions and excise duties; widen the ceiling and opt for radical reform.

Alexanders also suggests the value added tax base; and tax sion fund incomes.

The Chancellor could do all this against an uncertain macroeconomic background, where the need exists to err on the side of caution in framing the Budget. Tax cuts of less than £3br would be less than the roughly £4bn required to leave the fiscal Ip to 35 per cent and tax interest stance neutral between 1987-88 and dividends at that rate, and 1988-89, he says. Also, such a thereby introducing greater "neu-Budget would leave the public Budget would leave the public sector borrowing requirement negative by fibn or more.

Mr Davies said the Chancellor could live with the political prob-

Textile groups seek curb on 'unfair' trading

FACKLING unfair trading prace against unfair trade practices round of international trade than in the country of origin. negotiations, according to a It also highlights the problem group of British manufacturers. of "excessive" tariff barriers

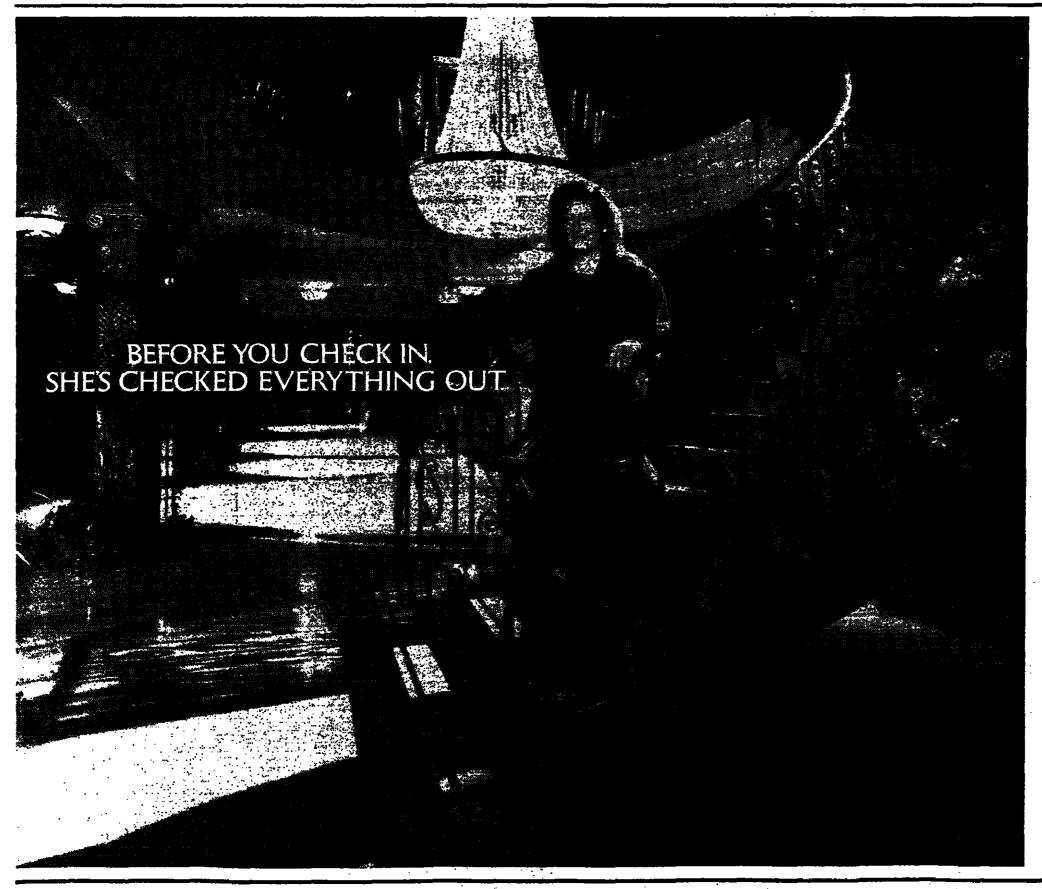
map out their priorities for Gen-eral Agreement on Tariffs and levying tariffs of more than 100 Trade negotiations which will lay foundations for the international trading of textiles into the next decade. The three bodies are the British Clothing Industry Associ-ation, British Textile Confederation and Knitting Industries Fed-

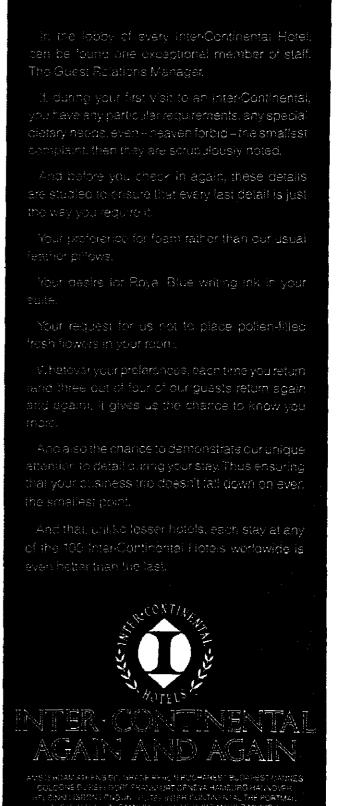
tices in the textile industry such as design counterfeiting and should be at the top of the Gov-dumping in which imported ernment's agenda in the current goods are sold in Britain for less

Three industry bodies today imposed by other countries. per cent on textile imports.

The paper calls for stricter con-

trois on the activities of countries like Brazil and South Korea. The industry bodies complain that these economies have developed sophisticated textile industries, yet still claim the protected sta-tus of newly industrialised coun-





sing bud



CBI chiefs angry | Agency takes leading role in reviving the back streets over rejection of rate reform plan

NFEDERATION OF British and responsibility. lustry leaders are angry that ir rates reform proposals have in rejected by the Government, gely on the grounds that they re submitted too late.

They argue that the main reato rock the boat before the telection with a critical subssion, or to be seen to be try-to influence voters. They fael y have now been penalised airly.

rge, or poil tax, as improvents on the existing system.
lowever, it concentrated on "serious shortcomings" of the ional non-domestic rate, ich will be levied on busises at the same level throughthe country and the revenue ributed to each local author-

According to Sir David Nickson, CRI president, and Mr John Banham, director general, the proposals would cost less, improve local accountability, end cross subsidy by business of local residents, and have a more uni-

form impact on different regions.

The package was submitted in mid-November, when the bill to influence voters. They fael reforming local government by have now been penalised finance now before Parliament was already in draft. Major the CHI submission welcomed changes at that late stage would have been politically embarrassing for the Government. The lack of impact of the pro-

possis and their total rejection by lift Nicholas Ridley, Environment Secretary, have led to hitterness within the CRI at the lack of appreciation among ministers at the difficulties over timing caused by the election.

There is also criticism of the

according to its population.

he key element in the CBI making the submission of the rnative was that businesses and contribute towards the making the submission of the north-west are happy with the Government's il costs of only those services plans, as their rates will tend to be benefited them directly. It is proposed that different types south-east, who will pay more, local service should be mored differently to reflect the ben done to alleviate the position.

Ralph Atkins on the start of a campaign against urban decay

SNOW HILL in London, where Charles Dickens's hero Nicholes Nickleby set off on his famous coach trip to Yorkshire, will inday again mark the start of a lands Development Corporation crusade against social injustice Rather than embark on sweep-ing plans to revive local economics.

The London Enterprise Agency (LEntA), based in the street so vividiy described by Dickens, will take on a leading role in government plans for inner cities which are expected to be unveiled this morning.

using money from the private say: "That's a good wheeze, sector to marture enterprise in depressed areas. It is a message PR?" Mr Wright considers that that will be familiar to LEntA attitude "almost as bad as being and some 270 other British enterprise agencies."

housing education and job cre-merce and industry to promote ation in rundown parts of the small businesses and urban ation in rundown parts of the capital. Some of the work it sponsors is in areas that rank among the most wretched in Europe. LEntA was the first enterprise agency established in a big Brit-ish city. Others have followed, but LEntA remains the largest and best-supported. Unlike the others, it is independent from the

Rather than emberk on sweep-ing plans to revive local econo-mies, LEntA backs projects which seek to counter hostile images of hig companies and to link businessmen with local

Mr Brian Wright, chief executive of LEntA, says intervention The Action for Cities plan, to by the private sector in sensitive be launched by Mrs Thatcher, the areas can backfire. He warns of Prime Minister, will focus on companies that come along and using money from the private say: "That's a good wheeze,

LEntA was the 1979 brainchild For nine years LEntA has of Shell UK, already then channelled money from large involved in a joint project with companies into small businesses, the London Chamber of Com-

brimarily to encourage new business in order to halt urban decay. The agency they created was designed as a pilot scheme to be followed by others around Britain_ Today LEntA has 17 member

others, it is independent from the public sector.

Action for Cities will push LEntA into the limelight and undoubtedly help it raise money and goodwill from the private sector. Yet the organisation is wary of being seen as a panacea in the agency takes a softly-softly approach in urban renewal. Its projects are small compared with Hill offices were opened by the those of, say, the London Dock-



Brian Wright: a softly-softly approach to raising funds for new businesses in deprived areas

A common concern in Linta was set up in 1981. Projects projects is the emphasis on include the Tottenham Enterprise Centre which houses 45 nership between the private sector and imparcity communities.

Its stock-in-trade remains trainscheme in Blackfriars Road is a remained to be synogmed to be synogmed. ing people to set up their own businesses. Since 1979 it has counselled and trained 20,000, and estimates that the process has created at least 11,000 jobs. It runs a "marriage bureau" which links private investors with small businesses. This is linked with 10 other enterprise es to form the Local Investment Networking Company.

Workshops are provided through LEntA properties, which

targets including attendance, punctuality and academic

expected to be announced today.

The prime LEntA contribution

The prime Listica communication to education in Britain is an import from the US called the Compact. By linking companies and schools into small groups, LEntA can guarantee jobs for school-leavers who meet personal translations attendance.

praised by Mr Norman Fowler, Employment Secretary, on his trip to the US last week. Similar British schemes are likely to receive Government backing at

The first Compact in Britain was launched by Prince Charles
in the East End of London last stress the relevance of an econ-September. Covering four omy's prosperity to a company's schools, it was set up by the Lon-success. "There is a lot of truth don Education Business Partner in the cliche Healthy back ship, a joint body set up by streets help healthy high LEntA and the Inner London
Education Authority. Ironically,
the Government now plans to
sholish Ilea.

Further Compacts in Ilea

Turther Compacts in

schools in west and south-east London are being launched today. Together with the East End compact, the scheme should provide 1,500 jobs for school leavers in 1989

local youngsters to join in the prosperity of local companies. They require commitment by both sides - a process which helps provides expertise. It would be a bind business with the commu-courageous company which nity and correct misapprehen- embarked on similar schemes on

"Business people generally Mr Wright believes that further think schools are bad," says Mr progress will require an active, Wright. "Teachers often think not reactive, stance. "We are business wants to soak every always asking ourselves, are we penny out of them and get alave becoming an institution?" he

Housing projects launched by "We must not be. We don't LEntA have been less successful, want to be the sort of organisa-After the Brixton riots it built 15 'tion that simply prepares an housing units on infill sites in annual report for its members, the area and sold them at low saying what has been done with The Compact idea was develorate, with local residents being their money. We need to take oped in Boston, and was highly given priority.

But in a fierce property mar-ket, LEntA has found it hard to compete for sites against estate agents and the seemingly insatia-ble demand for inner London

land for housing. The cash return to companies from LEntA schemes is not at first obvious. Inevitably shareholders will not tolerate spending

that is completely without rea The reply from LEntA is to

Compacts are meant to help deshi population.

LEMA's role is to act as a broresperity of local emmaries ker. It splits the risk of long-term provides expertise. It would be a

its own.

Most successful Scottish new town 'is E Kilbride' JAMES BUXTON, SCOTTISH CORRESPONDENT

T KILERIDE, the new town lished. The others are Livingston, heast of Glasgow with a pop-Cumbernauld, Glenrothes and h-east of Glasgow with a pop-ion of almost 70,000, is Scot-Irvine. 's most successful new town ttracting industry and creat-

iobs, according to a study ished today.

1e Strathclyde Business ol study showed that 20 per of the new manufacturing ts employing more than 10 largest and longest estab- moved away.

Of the 87 manufacturing startups in new towns, 24 were by foreign-owned companies. Of these, eight went to East Kilbride and seven to Livingston.

A recent study by the National ts employing more than 10 Audit Office expressed concern ile set up in Scotland that between 1978 and 1986 of een 1982 and 1986 went to 1,200 companies that had relonew towns. East Kilbride is cated in Scotland, over 840 had

Private sector teams ready with response to inner-city initiative

EKGHT TEAMS of business leaders are standing by to provide an immediate private-sector teams — first suggested at the control of the control response to the Government's imminent inner cities initiative, writes Alan Pike, Social Affairs

Correspondent.
The teams have been established by Business in the Community, which promotes partner-ships between the private sectorand local communities, and supports enterprise agencies.

The teams intend to encourage projects which trigger inner-city regeneration through employ-ment and training policy, invest-ment programmes and by helping

The idea of setting up the teams – first suggested at BiC's annual meeting last November – is to demonstrate that the private sector can, in partnership with local authorities and voluntary organisations, make a practical contribution to inner-city regen-

members have been found for all eight teams. The groups are: Priority hiring and training, chaired by Mr David Rowland, deputy chairman of Willis Faber, to target employers' recruitment and training programmes on

unemployed young people in the inner cities. inner cities.

Inner-city enterprise development, chaired by Mr Kent Price, chief executive of Chloride, to promote youth enterprise programmes and local enterprise of S G Warburg, to promote private-sector loan and financing interprises.

Enterprise and the built envi-ronment, chaired by Mr Brian Corby, chief executive of the Pru-

ing and workshops. Education partnerships, chaired by Mr Martin Findlay,

vice chairman of Whitbread, to tary sector initiatives and links Nationwide Anglia and Mr Joe promote links between education with the private sector.

Unipart, to encourage large businesses to support small ones.

tiatives, chaired by Mr Michael The teams are working to a Heron, a director of Unilever, to two-year timetable and will be of community involvement. busine Other leading business figures level.

Legal and General.

The teams are working to a

supported by other groups of business representatives at local Local purchasing, chaired by include Mr Tim Bell, chairman of Mr John Neill, chief executive of Lowe Bell Communications: Mr Uninart to approximate the supervisor of Lowe Bell Communications: Mr Allen Sheppard, chairman and chief executive of Grand Metro-city partnerships as part of their

dential Corporation, to promote job creation through areas such Voluntary sector initiatives, politan; Mr Peter Birch, chief chaired by Claude Hankes- executive of Abbey National; Sir own management development, and a national scheme to encouragement committee of Price ratt Developments; Mr Tim Melwaterhouse, to co-ordinate volunville-Ross, chief executive of agement advice. as property development, hous-

BY ERIC SHORT, PENSIONS CORRESPONDENT

UK pension companies.

Among the changes are a drastic reduction of benefits from the

Growth forecast in disposable nappy sales

THE DISPOSABLE nappy market

strand elastication, and greater absorbency — have increased their popularity.

Even so, Marketpower estimates that only 55 per cent of British behies wear disposable, as opposed to towelling, nappies, a far lower proportion than in continental countries.

Own-label nappies hold nearly 40 per cent of the market, and the leading brand, Peandouce, has a 30 per cent abare worth 267.5m.

Other sectors of the dispos-

Other sectors of the disposables market — paper towels and tissues, lavatory paper, table-ware, sanitary protection and wrapping materials — offer less interesting growth prospects. Paper tissues are expected to be the worst performers, the man-

Disposables Report. Market-power. 84 Uxbridge Road, London W13 8RA. 285.

By Maggie Uny

THE DISPOSABLE nappy market is set to grow at 15 per cent a year until 1991, when it will be worth £452.6m, according to a report by Marketpower, a market research company, on the consumer disposables market. The market was worth £225m in 1985, 10 times its size barely seven years earlier. The improved design of disposable rappies — resealable tabs, multistrand elastication, and greater absorbency — have increased

hat expanding at an estimated 1.2 per cent a year, partly thanks to improved treatments for hay-

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Middlesbrough The heart of Teessid

Small businesses considering employee pension plan MORE THAN half of Britain's State Earnings Related Pension sourceyed of the changes, in par-small businesses are considering Scheme (Serps), a provision for ticular, that employers could set requirements, including the need setting up a company pension employees to set up their own up schemes contracted out of to make prompt monthly pay-

one for senior executives.

However, there was a high and Social Security.

The main drawbacks of the bandle the requirements.

small businesses are considering setting up a company pension scheme for employees to set up their own scheme for employees under the arrangements that come into operation next month.

This was revealed in a Gallup survey of 200 companies with 150 or fewer employees for Legal and its own scheme for employees, a provision for the insurance contracted out of the matter of the insurance contracted out of the matter of the insurance contracted out of the matter of the matter of the insurance contracted out of the matter of the matte

NEW INTEREST RATE

Midland Bank announces that, with effect from 7th March, 1988, the Standard Debit Rate of Interest applied to overdrafts that have not been pre-arranged will be increased by 0.1% to 2% per month. APR 26.2%.



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Casip No. 755277 AA 8

NOTICE IS HEREBY GIVEN that effective as of the opening of business on the 25th day of February. 1988, Morgan (Generalty Trust Company of New York ("Morgan") has resigned as Trustes under the Indenture, dash as of December I, 1980 (the "Indenture"), among Reading & Bates Energy Corporation N.V. (the Congany"). Reading & Bates Corporation, as Currenter (the "Gurrentor") and Morgan, as Truste, and that United States; Trust Company of New York ("U. S. Trust"), with its principal corporate trust-office at 45 Wall Street, New York ("U. S. Trust"), with its principal corporate trust-office at 45 Wall Street, New York ("U. S. Trust"), with its principal corporate trust-office at 45 Wall Street, New York, New York and has accepted such appointment, Morgan, at its Corporate Trust Office in New York and its main offices in Brussels, Frankfurt am Main, London and Paris; and the main office of Kredethank S.A.; Luxembourgaoise in Luxembourg, shall continue to act as the paying agent and conversion agent with respect to the Pochontures and as the agencies where, notices and demands to or upon the Company or the Guaranter in respect of the Dabentures, the coupons, the guaranters, or the Indenture may be served.

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OF NEW YORK, Successor Trustee March 7, 1988

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Tougher rules on BT price rises urged by users

THE MAIN organisations representing telecommunications users are demanding that rules governing British Telecom's price increases should be much

The Office of Telecommunications, the industry's regulatory body, is in the middle of a large scale review of BT's pricing rules. Its outcome will have implications for the company's profit-ability, efficiency and quality of service.

Telecommunications Users' Association, representing mainly business users, sent Oftel its response to the review last

The association argues that BT should have to keep its prices to four or five points below the retail price index, because it believes that BT's improvements in efficiency and cost control have not kept pace with those in other large businesses. "BT's ents are not matching up," the association's paper says.
This argument is echoed by the

Telecommunications' Managers
Association, representing managers running companies' telecom
networks, which is on the point Oftel. "We are looking for a considerable improvement in BT's

points below the change in the RPI, reflecting the assumption that BT can cut its real unit costs by 3 per cent a year.

eral other ways to strengthen the rules governing British Telecom including:

Additional services, including

consumers. The association leans to the view that penalties on BT for poor service are best handled by including them in service con-tracts, although it does not rule

group making semi-custom prod-ucts, known as Application Spe-

cific Integrated Circuits. Its elec-tronics specialists were drawn

from all over Europe to empha-sise the international nature of

Equity finance for the venture was raised from seven industrial

partners based in the principal

and development skills.

ntribute market knowledge

Loans by financial institutions

and state backers brought the

the project.

European chip group to bring in more partners

EUROPEAN SILICON Structures, was considering expansion. The (ES2), the pan-European semi-conductor group set up by Mr sald, with about \$25m in liquid Robb Wilmot, former head of the ICL computer group, is planning ES2 was established two years ICL computer group, is planning to expand by bringing in more large industrial shareholders. redress Europe's weakness in chip manufacturing by creating a highly specialised semi-conductor

At least two additional equity holders, each contributing about \$5m (£2.8m), are expected to join the company's list of industrial

ES2 is aiming to establish links in particular with a leading company from West Germany, where it has no shareholders and it wants to reach a similar agree-ment in the US, where it has already established an affiliate West European markets who are expected to use the chips and company that may eventually be funded entirely by North Ameri-

Mr Rod Attwool, vice president, said discussions began

interests. So Oftel is likely to be much influenced by users' views. The review has been triggered because the present pricing for mula is due to expire in mid-1989 It has kept BT's annual price

increases for its main inland ser-vices - call charges and line rentals - to three percentage

The TUA paper suggests sev-

connection charges, line rentals and private business circuits, should have their prices con-

 There should be separate con-trols on the prices of individual services, rather than the present cap on a basket of services.

If BT enjoys exceptional profit increases through unexpectedly rapid technological advance, part clawed back in reduced prices for

siderable improvement in BT's efficiency," said Mr Ray Austin of the TMA. He said the association would suggest something bigger than three points below the RPI rise.

Professor Bryan Carsberg, Oftel director general, has stressed that one of his prime run for four years, with a midjobs is to represent consumer

son in 1945.

He suggested that Labour should take the initiative by proposing discussions before

to cover Olympics

The craft will be used by the to cover the Olympic Games in

to abandon dated ideas

By Peter Riddell, Political Editor THE LABOUR PARTY needs to offer radical and constructive ideas, rather than just promise to repeal everything the Gov-ernment has done, Mr Roy Hattersley, its deputy leader,

Car production, meanwhile, Outlining the aims of Labour's policy review, Mr Hattersley explained in Brid-lington how he viewed the danger the party would face at the next election, and how it would have to work to win

The danger was that Labour would appear old-fashioned -not that it would appear too

Hattersley

tells Labour

"We cannot go into the nineties on the policies of the sixties and seventies," Mr Hat-tersley said. Labour had to be a constructive party which did-not assault the Government solely through "unthinking

To win the next election, Labour had to be a party of new ideas, Mr Hattersley went

"These days elections are won by parties which are cre-ative and not destructive - by parties with a clear vision of the future they want to see and with a convincing formula for turning that vision into

He argued that for much too long Conservatives had been able to represent themselves as radicals and caricature their Labour rivals as reactionaries. Mr Hattersley pressed for a continued belief in the extension of social ownership.

However, he said it was neither sensible nor socialist to insist that it must be extended using the rules which were applied to the nationalisation of utilities by Herbert Morri-

Problems faced by the party in building on its success in Scotland in the last general election were underlined yes-terday in a speech by Mr Dick Douglas, Labour MP for Dun-fermline West.

the next election with other opposition parties on the gov-ernment of Scotland.

S Korea buys airship

AIRSHIP INDUSTRIES, the UK-based but Australian-controlled manufacturer of lighter-than-air craft, has sold one of its Skyship-600 airships to South Korea for more than

John Griffiths reports on improving prospects for Britain's motor manufacturers

Car makers gearing up to turn import tide

British Aerospace is making its bid for the state-owned Rover Group at a time when prospects for the UK motor industry overall are looking better than for more than a decade, new industry sta-

tistics show.

An increase of just under 50 per cent in the value of UK car and commercial vehicle exports last year all but halted a previous sharp deterioration in the deficit in the UK's motor trade.

rose by 12.11 per cent last year to reach 1,142,985 — some 80 per cent up on the 880,000 level recorded in the depths of the last recession in 1982. Commercial vehicle output rose by 7.88 per cent to 246,727 from 228,685.

If Professor Garel Rhys is right, the UK industry's production performance will continue to mprove this year to reach at east 1.35m units, a level not seen aince the early 1970s.
"Such an increase should be sustainable for a number of rea-

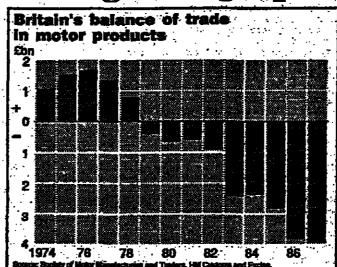
sons," says Prof Rhys, the Society of Motor Manufacturers and Traders professor of motor industry economics based at Univer-sity of Cardiff and adviser on motor industry affairs to the Commons select committee on trade and industry.

is that in spite of last year's record new car market of 2,013m units, its rate of growth still trailed that of income growth in And since, according to Pro-

thys, all post-war trends show that one year's income growth tends not to affect new vehicle narkets until the year following. this factor alone provides scope for a further increase in UK car sales this year.

However, the industry's one real black spot this year, the Ford strike, makes it unlikely that UK producers will achieve a 50-per cent plus share of the market. Even so, Prof Rhys suggests, it is beginning to look like the strike will be seen in retrospect as a temporary setback rather than a turning back of the indus-

In the first two months of the year, sales in this category were 10,257 vehicles, up 22.7 per cent



1	K MOTOR	TRADECE	m)	
	Fourth 1987	Quarter 1986 rts(fob)		1906 1905
Cars CVs < Stonnes gra Other CVo Pints and accessories Other products	529 26 68 362 279	378 18 59 754 234	1,901 110 278 2,998 236	1,312 55 260 2,766 850
Imports(cil) Cars CYs <stonnes cys<="" gyw="" other="" td=""><td>1,182 81 186</td><td>1,984 66 143</td><td>4,995 299 603</td><td>4,791 296 553</td></stonnes>	1,182 81 186	1,984 66 143	4,995 299 603	4,791 296 553
Parts and accessories Other products Trade balance	1,064 128	919 98	3,874 443	3,098 309
Cars CVs <3 tonnes gve Other CVs Parts and	-453 -45 -118	-706 -46 -84	-3,094 -189 -325	-3,779 -241 -293
occusories Other products Total	-222 151 -897	-163 138 -857	-876 493 -3.991	- 451 - 3.887

tinental Europe from Nissan's UK plant, the start-up of produc-tion of the Peugeot 405 at the company's Ryton plant, near Coventry, and expanded Jaguar output are all seen as contribut-

iveco Ford has pulled slightly ahead of its closest rival, Ley-land-Daf, in the market for trucks

Commercial vehicle sales

SALES OF all commercial vehi- to that of 1987. However, this

cles moved ahead strongly in forecast allowed for some adverse

cles moved anean strongly in lorecast amoved to some suverse february, with an 18.36 per cent effects of the stock market crash increase in sales of those weigh- working their way through into ing more than 3.5 tonnes, the sales in the second half – a proshigh-value sector of the market, pect now considered unlikely.

10.257 vehicles, up 22.7 per cent on the same period last year. If this momentum continues, estimates of the sector's likely UK are 2.256 units, compared with market size this year may once again turn out to be pessimistic.

Sales last year reached 58.000 units - nearly 5,000 more than 25 society of Motor Manufacturing and Ford the market leader are strictled thou sales of all

Iveco Ford, the market leader, ers statistics show sales of all

has forecast that this year will were up 17.71 per cent at 28,913,

register 17% increase

tics show, by far the biggest increase in unit output growth last year came from the Rover cars and Range Rover combined was up 16.57 per cent to 471,504 from 404,454 And a 14.91 per cent increase in commercial vehicle

Leather factory

brings 150 jobs

UP TO 150 lobs will be created in

Corby, in the east Midlands, when a leather goods factory starts production early this sum-

The factory — which has been set up under the segis of the John Crowther Group, one of the largest British featile companies — will manufacture leather bags, belts and accessories to be sold

through multiple retailers such as Marks and Spencer and BhS.

Crowther has invested more

Rover vans and Land Rover) to 36,746 from 31,976 lifted the group's total output to just over the half-million mark at 508,250.

in second place. Its output of cars and commercial vehicles combined - excluding the merged bined — excluding the merged liveco Ford trucks company—rose by 10.87 per cent, to 487,935 from 440,072 (Were tractors to be included in vehicle output, the 59,750 produced by Ford at Basildon last year would have been enough to make it easily the UK's number one vehicle pro-

Carbodies of Coventry, which makes "black taxis," for the first time in many years is facing market competition from a purpose-built rival, Metro-Cammell Wey-

mann's Metrocab. The fourth "loser" was Reliant whose FSI sports car was a com-

cars were exported last year, according to SMMT and Customs and Excise statistics. This represented a 22 per cent unit increase over 1986. The 28,241 commercial vehicles of up to 3.5 tonnes

The number of car imports -1,047,413 - remained far higher factor - surging imports of than exports. But this was 2 per replacements parts cent less than in 1986 as the UKbased multinationals sought to believe "the prospects for 1989 provide more of their UK sales are encouraging, although Britwith cars actually built in British fab-produced vehicles will have plants. Imports of light commer-cials fell 14 per cent in unit terms

This was enough to keep Ford

The SMMT's statistics show that in the cars sector there were only four "losers" in output terms last year - two of which were in unusual circumstances. Pengeot's decline was due to the winding-up of its Peykan kits business with Iran, which is fast being offset by rising production for UK and Continental markets. The fall at the small specialist sports car maker, Panther, was due mainly to preparations to move its entire manufacturing plant from Surrey to Hertford-

to 71,683 and other commercials fell 5 per cent to 36,986.

PRODUCTION Vauxhaf 47,960 45,549 2,570 2,128 798 550 225 1,142,985 1,019,519 Bedford[§] Ley DAFSS Seddon A

Total · 246,727

mercial flop.

Of the production total, 244,746 trade in built-up vehicles was mainly responsible for the relative relative responsible for the relative relat This much-improved balance of tively small increase in the UK's trade deficit on all motor prod-ucts last year, to £3.99m from £3.89m in 1986.

With exports continuing to exported represented a rise of 27 grow, there are hopes that next year they may at last more than offset one particularly negative

SMMT economists say they to be competitive without the advantage of the very low pound which prevailed during the early

Guernsey proposing to pass law governing trusts

BY EDWARD OWEN IN GUERNSEY

trusts and to provide a statutory framework for their administra-In a report to the island parlia-

the law will follow Jersey's law the issue until recently. Most of passed in 1984. It will also incorthe banks, especially ones of porate many principles of North American origins, were English trust law. strongly in favour of a trust law In spite of the lack of local stat-

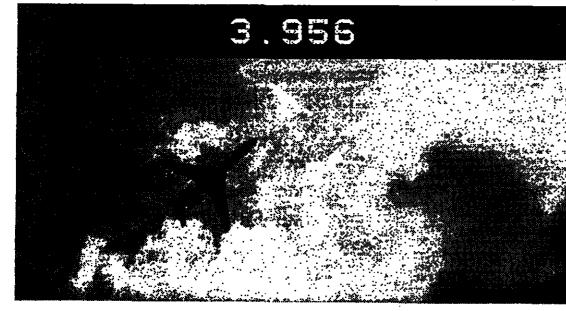
than film in the factory, which should begin full-scale produc-tion in June. utes, personal and corporate yers.
trust business has expanded rap-The group has also concluded idly in Guernsey in recent years. the absence of legislation gave

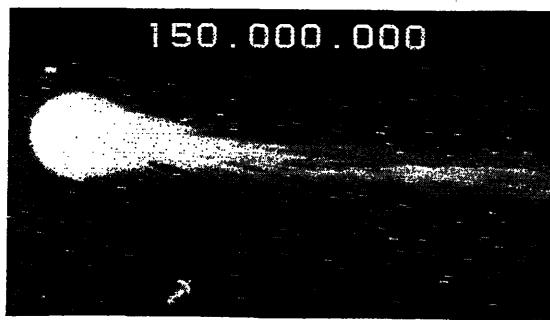
GUERNSEY is proposing to pass been seriously questioned. its own trust law to remove For this reason, the Guernsey loubts about the validity of local authorities have been open minded about the need for local legislation and have been ready to be guided by the island's

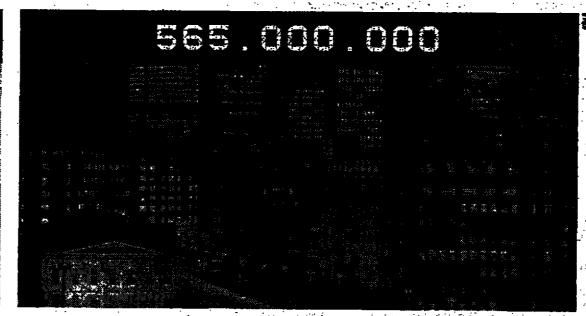
finance industry. The industry was divided on as were most of the island's law-

Others, however, argued that

Quantifiable technical progress.









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AEG

ments make up the aerial of the TRM-S radar. Electronic control allows defined vertical scanning giving a three-dimensional display.

from the earth by now the space probe Giotto met up with Halley's comet in March 1986. It is still relying on AEG solar generators for its electrical

puises per second can be transmitted about 40 km without amplification along the Quartz-glass fibre-optic cables produced by AEG. This means a single cable carries more than 7,680 conventional or 4 digital television channels.

cubic metres of oil per hour can now be transferred to a tanker even in heavy seas. An electronic system from AEG guides the transfer hose to the pipeline on the see bed and connects it under remote

78,000 people work for AEG in a total of 111 countries. 6,500 of them are dedicated to research and development in a series of key technological fields such as microelectronics, optoelectronics, power electronics and drives, and in areas of artifical intelligence and software technology. The aim of all this development is to arrive at innovative solutions to communication, information, industrial, energy and transport problems.

Hav

'Tis Pity She's A Whore/Olivier

Michael Coveney

evening yawns like a great moun-tainous divide.

resembling the Doge of Venice, resembling the Doge of Venice, drawing the long of them is Ron Renaissance pile designed by dressed in velveteen garb and Roger Glossop that incorporates funny hats. One of them is Ron a campanile, cypress trees, colon-rember, acting execrably, as the astonished pater of Glovanni for the final feast. It is a creation (Rupert Graves) and Annabelia of some ingenuity but no real (Suzan Sylvester). This is the vibrancy it becomes most evaca-(Suzan Sylvester). This is the original heart-to-heart, a tale of the same and cardiac arrest, one blood-pumper skewered on a dagger causing old pop to pop off like a Lombardy Lear. It is unlucky of the National Theatre to have opened this production in the wake of Philip Prowse's infinitally superior version at the Glasgow Citizens. The play is much more textually intact, but the virtue of unkind text of neither relish nor mustard to searched and larily executed.

efficiency in placing the entire action inside a great 17th century cathedral besieged by the plague, the Inquisition and the endless tolling of bells.

The action revolves slowly on a Rengies are will a designed by

Renaissance pile designed by Roger Glossop that incorporates

John Ford's extraordinary play, published in 1633, set in down-bown Parma and documenting a love that dares not speak its name between a brother and sister, has frightened off the sponsors at the National Theatre, incestuous whores they cannot abide, though murderous Shake-spearian heroes and pimps are quite all right.

The irony is that Alan Ayckbourn's disappointingly polite production is about as threatening as a duff old repertory by Russell Dixon, all got up in playing of Miss Sylvester and the revealed as a great first half character it was always advisable to apply liberally to the pectoral area after a foggy might in the waterloo Road. The Friar, so concerned with Giovanni's passion and how it might affect his career as a miracle of academic wit, appears in open-tood sandals and a predictable grey habit. The evening yawns like a great mountainous divide.

There are thunderclaps and lightning effects, and an improved concentration in the second fall when the affair tightens around the undermined marriage feast. But I feel that Ayck-bourn has allowed the shocking simplicity of Ford's language and his plot to overwhelm him, with the result that the incisions are messy where they should be cold.

Rhapsody In Blue/Birmingham

Clement Crisp

Richard Alston's newest creation for the Rambert Dance Company received its first performance at the end of last week during the company's season at the Rirmingham Repertory Theatre. This is a strange house for dance, the ver-tiginously raked auditorium making it seem as if one is viewing

ing it seem as if one is viewing the movement from the side of an alp. But the stage is a decent size, and Alston's realisation of Gershwin's Rhapsody in Blue takes advantage of its space.

His forces are three couples, the men in tails, the women fetchingly dressed by Victor Edelstein in long blue chiffon dresses with heavy arabesques of gold pallettes at breast and hip. (The great advantage of using a coutupaillettes at breast and hip. (The great advantage of using a contucter to provide costuming is that these dance frocks move beautifully and flatter their wearers). There is also a subsidiary trio of a man, Jeremy James, in a white tuxedo, and two girls cross-dressed in dinner jackets. With their conscript hair-styles, they bring an odd, androgynous note to what is otherwise a playfull and palate-tickling work.

ising to

ning frus

Looking at Rhapsody on Friday night, I was struck by a formal relationship to Balanchine's La Clark's Shamp. After the lether-valse. There is the same "introduction using a forestage (and Getshwin piano preindee) for the trio—who nip and tuck through the ballet with much allegro movement, even making reference to Alston's earlier Java—and when the full stage (and the gains in impulse and energy net title score) is brought into play, we see the activities of the three couples as a gloss upon ballroom dancing which appires at and castades of notes immediate moments to something almost the dancars. They move and balletic. Unlike La Vulse, there is coalesce, their feelings and their no trace of dramatics: this is a action's responding to this rather unadventurous responses extraordinary outside stimulus.

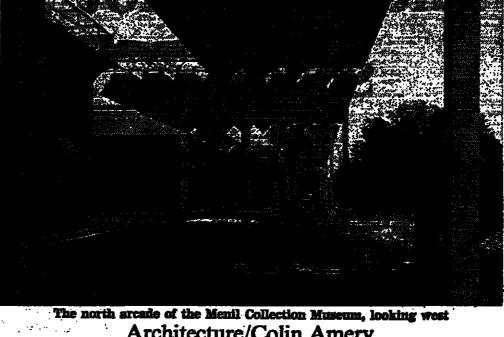
no trace of dramatics: this is a actions' responding to this rather unadventurous response to Gershwin's rhythmic intrasies, which are thelessly played in the solo piano original by Christopher Swithinhank. The only tensions in the piece come from the contrast between the decorously terms with their choreography, conventional movement of the conventional movement of the trin.

The programme begins with care for its manner. He is another contrast, between the assured creative procedures of exceptional gifts.

Eugene Onegin/Covent Garden

David Murray

The Royal Opera version of Chefhovaky's Onega's, now stoged by
Wilfred Judit, still boasts Julia
Trevelyan Omnai's period-persons
with the State of State



Architecture/Colin Amery

A triumph of humility

Because the technical problems of new museums are as complex as any new commercial building, the whole range of solutions adopted for these problems makes a profitable field of study. Air conditioning and lighting are just two areas that have to be appropriate to the contract of the co

adopted for these problems makes a profitchle field of study. Air conditioning and lighting are just two areas that have to be superopriate not only for the users, but also sufficiently turad and sophisticated to match demanding standards for the conservation of works of art. It is this combination of aesthetic and technical demands that makes the field of the new museum a fruitful one for both architects and their clients.

I have just seen an excellant example of fruitful co-operation between a remarkable and the superance of planted gardens.

At the Menil Collection the client wanted it to be divided into longerterm thematic collections to the sest and more divided into longerterm thematic collections to the emporary installations to the west. All the stored collection is on the upper floor. A rather severely grained box and the use of sheetrock (fibreboard) walls means that there is, apart from the field of the new museum a fruitful one for both architects sible to scholars light conditions can be more flexible than in most public galleries.

The museum occurries a mater of the collection is the display of Primitive art. These three dimensional objects are shown against a backdrop of planted gardens.

technical demands that makes
the field of the new museum a
finiful one for both architects
and their clients.

I have just seen an excellent
between a remarkable and
demanding client, the collector
Mrs Dominique de Menil, and the
architect Renzo Piano. The new
Menil Collection is a deceptively
modest building in the Montrose
to Rice University campus. Mrs
de Menil — she formed her major
to Rice University campus. Mrs
de Menil — she formed her major
to Rice University campus. Mrs
de Menil — she formed her major
to Rice University campus. Mrs
de Menil — she formed her major
the Palsolithic era to the present,
with her late husband John de
Menil — finally selected Renzo
Piano as her architects — admittable of the Major
the Palsolithic era to the present,
with her late husband John de
Menil — finally selected Renzo
Piano as her architects — admittated y. Louis Rhan had died — in
the twenty-year period she has
been planing this museum.
Renzo Piano, who comes from
Genor, said in a recent interview:
T don't like the posture of the

Trom the outside the long low
time finally selected Renzo
outer cladding of grey cypress
timeter Rice than in most
time exposed roof the stail of eat ited of any kind.
The greatest success of the
Menil Collection is the display of
Primitive art. These three dimensional objects are shown against
a backdrop of planted gardens.
They have gained new life in the
more flexible than in most
shile to scholars) light conditions
can be more flexible than in most
successful museum occupies a grassy
They have gained new life in the
more shown against
a backdrop of planted gardens.
They have gained new life in the
more flexible than in most
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more flexible than in most
a backdrop of planted gardens.
They have gained new life in the
more flexible than in most
a backdrop of planted gardens.
They have gained new life in the
menil Collection is a satural,

The subject of the relationship between art and architecture as examplified in the large number of museums that are being built is an important and fascinating one. It will be a rich field for historians and is currently the most active area of serious architectural development.

Because the technical problems of new museums are as complex as any new commercial building, the whole range of solutions adopted for these problems. At the Menil Collection the cilem a during the most active area of solutions adopted for these problems. At the Menil Collection the cilem a during the most of this spine and all the particular and the most of this spine and all the supporting elements face south. The cross axis of the entrance allows the collection to be

Genoa, said in a recent interview: leries.

"I don't like the posture of the From the outside the long, low triumph of a rare kind — a triumph of humility.

La jolie fille de Perth/Guildhall School of Music

March 4-10

Sponsorship

Drive for the Tate

Antony Thorneroft

round off the development of the Tate of the North.

There is a distinction between ally its entire marketing budget is devoted to dance sponsorship. The latter is masterminded by and entertainment at the events it supports.

According to Richard Martin, its director of communications: has planeered revenue raising in the summer with almost time to her credit, ranging from the summer with almost time to her credit, ranging from the summer with almost time to her credit, ranging from the sim sponsorship of ATT, which brings the Hockney exhibition to the Tate in the autumn after visits to Los Angeles and New York, to the \$2,000 put up by Klizabeth Arden to sponsor a booklet, "The Female Face."

to the 23,000 put up by Klizabeth it leads directly to new business Arden to sponsor a booklet, "The Female Face."

The Tate is aware what it can offer sponsors — unrivalled opportunities for entertaining, plus the reflected glory of a grand name. Unlike other muse ums it does not rent out its premises, in particular the Chore gallery, for purely social occasions, but companies can sponsor a concert in the Clore at the price of helping the Tate with a desired to put on concerts there last summer in return for financing the Turner symposium; next week PA will be presenting the taken of a Turner sketchbook.

(Like other sponsors PA is switching its money away from big sponsorships with established sponsorships with established sponsorship specialist. This is

Bellow will not be replaced by a sponsorship specialist. This is even more remarkable at a time After Big Bang and the big crash even more remarkable at a time when even such a traditional comes the Age of Enlightenment institution as the National Gal—at least as far as Charterhouse, the merchant and investment recruiting a full time revenue tasking group, is concerned. The raiser in Hugo Swire. His first task is getting backers for the Age of Enlightenment, Londershibition of French paintings from the USSR, including choice instrument orchestra, to the tune of £120,000 over two years for the first self-governing period instrument orchestra, to the tune of £120,000 over two years for the self-governing period instrument orchestra, to the tune of £120,000 over two years for the self-governing period instrument orchestra, to the tune of £120,000 over two years for the self-government. National Gallery in June.

On May 24 the Prince of Wales will open the Tate Gallery of the will open the Tate Gallery of the worth at the Albert Dock in possible that the boom in arts Liverpool. This being the Tate, commercial sponsors are rallying round valiantly, led by Volkswagen. The motor manufacturer has never committed itself to arts sponsorship before but will be backing the Tate with £250,000 over the next year or so.

Much of the money will be spent on advertisement will be spent on advertisement will be a van, donated by Volkswagen but decorated by David Hockney, which will ferry children in to the gallery. The Tate is also gaining from the link in London, with Volkswagen financing a bienmial Turner scholarship worth £30,000, linked to the new Clore extension which houses Turner's finest works.

Few arts organisations have matched the Tate in forging links with commercial sponsors. At one level there is the jollying along of the very rich, which produced £2m for the Clore extension and £1.5m, from the Jayanese investment bank Nomura Securities, to create another gallery. This was the first fruit of the linkarnational Council of the arts is distinction between faults intolecks and stonents of the Tate of the North.

There is a distinction between faults in development of the INK it does not advertise its corporate identity: instead virtuative for the action between faults in toriects and songenship.

Impressionists and post-Impress of £120,000 over two years (urites sionists, which comes to the John Falding). Four of the John Falding). Four of the orchestra's 13 concerts this year

will be under the Charterhouse

The Stock Exchange crash came at a time when City institutions were acquiring the arts sponsorship habit. Most of those committed swallowed hard and continued their planned support. But at least one did not.

ABtna, one of the world's larger insurance companies but the Young Musicians Symphony Orchestra it was withold the Young Musicians Symphony Orchestra it was without the Young Will be under the Charterhouse banner.

A distinctive feature of the sponsorship is its aim to encourage concerts in historic venues, ensuring that authenticity of instruments and performance style will be enhanced by suitable surroundings and acoustics. The Hanqueting House, Whitehall, for instance, will be the setting for a concert on May 19 with the Dutch-born cellist Anner Bylsma featuring Bach, Vivaldi and Geminiani. Gostav Leonhard Will conduct Bach cantatas Gurretieder at the Festival Hall. To rub salt in the wound the Greenwich, on June 15 and Goldon orchestra had already circulated smiths' Hall will house a Mozart evening on July 13.

Antony Thorncroft's Sponsor-ship column will appear on the Street Monday of the sponsor on the Street Monday of the sponsor.

Arts Guide ted funds, other financial compa-nies have postponed confirming first Monday of the month. nov, Mussorgaky/Ravel. Royal Festi-val Hall (Thur). LONDON

XX.

BBC Symphony Orchestra conducted by Gennadi Rochdestvensky With Viktoria Posinikova, plano. Sofia Gubsidulina Symphony, Schmmann, Bach/Elgar. Royal Festival Hall (Tue). (228 3191) London Mozart Players conducted by Jane Glover with Stephen Hough, plano. Michael Haydn, Haydn, Mozart and Jonathan Harvey. Queen Elizabeth Hall (Wed). (328 3181)

Elizabeth Hall (Wed). (228 3181)
Royal Philharmonic Orchestra conducted by Walter Weller with Louis
Lortie, piano. Dvořak, Rachmani-

TOKYO

Janusz Olejniczak (piano). Chopin.
Suntory Hall (Tue) (285 2111)
Peter Danne (Pranch korn) with Relico
Housho (piano). Matius, Vivaldi,
Schumann, Rossini. Tokyo Bunka,
Kaikan recital hall (Tue). (481 2590).
Yomhui Mispon Symphony Orchestra
conducted by Heinz Rogner. Mahler
sind Takemitsu work commissioned
for the orchestra? 32th anniversary.
Tokyo Bunka Kaikan (Tue). (278

PARIS

Have your F.T. hand delivered

in Belgium

Tokyo Bunka Kaikan (Tue). (270-8181). Ernel Philliarmonic Orchestra, con-ducted by Zubin Mehta. Mecart (Wed); Bruckner (Thur). Suntery

Hall (725 1986). NHK Symplesty Orchestes, conducted, by Otner Suffiner, with Manatani, Hort (violin), Haydin, Bedg. Bach, MHK Hall, Shibuya (Thur) (485 1722);

Bareque Made — Les Aris Pintissenin Mint W. Christis sa craductor and harpsichord soloist: Montaciair, Cisrambanit, Campin (Mon), Auditorium des Halles (2301616).

Alicia Nafe with Jean Lemaire, piano (Mon), Théatre de l'Athème (474272)

Chior and Schoists' Orchestrae Bacthoven (Mon). Salle Pleyel (4808823).

Ensemble Orchestral de Paris con-

ducted by Armin Jordan, Bells Devidovich, Planot Rossini, Metart, Frank Martin, Stravinsky (Tue). Selle Playel (4888873). Michael Lavinse, Planot Besthoven (Tue). Selle Gavenean (4882089) Hinerary Ensemble conducted by Marit Foster: Katha Sharisho, Frederick Durisont, Magnus Lindberg (Wed). Centre Georges Pompidon, Grande Salle (2 20 94 27). François Kardoncuff, planot Besthoven, Schumann, Debusey (Thur). Salle Gavent (45 63 20 30)

(Mon) (80.81.26).

Florence, Tentro Comuniale. Carjo
Maria Gholis conducting Frank and
Faure with supramo Rristina Laki
and haritone Dale Dusting (Wed.and
Thur). (27 79 236)
Rome, Testro Olimpico (Piassa Gentile de Fabriano). Buettoven physel
by the Cleveland Quartet (Wed.200
23 04),
Rome, Andhoriom in Via Della Conci-

33 04), laine, Auditorium in Vis Della Conci-lizzione. Gabriele Fetto conducting Monart, Rami (with menzosoprana Daniela Uccello) and Straines (Mon and Tues), (65 di 044) bone, Oratorio del Gonfalone (Vis Del Gonfalone 22A), salo violinisti Juan Remires conducting Mendelandin, J. C. Buch, Corelli, Handel and Rayda (There') (80 % 987).

NETHERLANDS

METHERLANDS

Amsterdam, Concertgebouw, Pinno recital by Maria Tipo, Bach (The). Riccardo Chaility conducting the Concertgebouw Orchestra, Eacher, Bruckner (Wed, Thut). Recital Hall, Quadro Hottsterre, Purcell, Blow (The). Anner Billena, cello, with Marianne Kwaksibie, suprano, and instrumentalista, Hindensith (Ther). (71 28 45).

Uirecht, Vredenburg, Riccardo Chaility conducting the Concertgebouw

Direcht; Vredenburg, Riccardo Chailly conducting the Concertgebouw Orchestra. Escher. Schumann Okon). The Netherlands Philiparmonic conducted by Harizont Heartchen, with Sabins lifeyer, clatinet, Bach, Mosart Light, Shostskovich. (Wed). Bacital Hall, Vermeer Quartet, Britten, Raydo (Tus). Anner-Bilkans, cello, with Marjanne Kweksdiker, soprano, and instrumentalists. Hindendth (Wed). (SI 45 40). The Hague, Philipsunal The Asko-Rosemble and the Hague Percussion Group conducted by Peter Botvos, with Pl Halen Chen, piano, and Ellasbeth Chojnacka, harpsichord, Crepo, Carter, Lachenmann (Ther). (69 38 10).

Bottsriem, Doelen, Recital Hall, Rob-

24 to). Graningen, Oostelpoort, Anner Rigam, cello, with Majamat Kwek-silber, sopreno, and instrumental-lets, Hindanith (Ton). (13 10 44). NEW YORK altiment Symphony, David Zimman conductor, Yo-Yo Ms callo Harbison, Burber, Dvofak (Mon). Carnegie Hall on 1988

Barber, Dvofak (Mon). Carnegie Hall (M7 7800).
Eing Knam Chen, plant recited. Bu-tok, Bestheven, Scriables, Chopin (Tue). Kanfmann Hall, 1395 Lexing-ton Av (1986 1100).
Sew York Philipamonde. Klaus Ten-nated: conducting, Mozart, Bee-thoven (Tue). Klaus Tennated: Con-ductor. Mozart, Beethoven (Thur). Avery Fisher Hall (374 3430).
Maurizlo Politid, plant recital. All-Beethoven programme (Wed). Car-nesie Hall (M7 7800). Beetheven programme (Wed). Carnegie Hall (247 7500).
Streen Machemer vibraphone and
Geraid Rank plane. Baroque vibes
due featuring music by J-S Bach
(Wed. 1220, Free) Juliard Concerts
at the IBM Gentlen Plane. 58th &
Madleon.

edinir Ashkanesy piano recital. Schumann, Chopin (Thur). Carnegie Iall (247 7808).

WASHINGTON

Actional Symphony, Metishiv Restro-povich conducting, Ann-Sophie Mut-ter violin. Sibelius, Bruckner (Tus). Leopoid Ragar conductor, Claudine Carison metico-soprano with Woman of the Cantario Society of Washing-ton directed by Rober Shater, Blast, Berlioz, Debussy, Ravel (Tintr). Rep-nedy Center Concert Hall (254 2775).

CHICAGO

hamber Orchestra of Enrope, Clau-dio Abbado conductor, Teresa Her-gantz sograno, Hayda, Mahler, Schoenberg, Mendelssain (Tue).

Saleroom/Antony Thorncroft Romantic blockbuster

land, and is being sent for sale by £1,000 each. the General Assembly of the In the sa Church of Scotland. stoneware

has appeared on the market in ner of Meissen porcelain, and years and it could go for much could set an auction record for a

mainly dating from the 19th can-tury. Collectively they are valued at more than £50,000, with prices in the early 19th century. at more than £50,000, with prices ity in the High Court of Admiranging from more than £10,000 atty, date back to the armivelent for a tea bowl of the Momoyama century, and are the equivalent to as little as \$100.

The blockbuster object of the week is offered by Sotheby's on Wednesday. It is an outstanding romantic painting by John Martin depicting "The assuaging of the waters" and shows the ark as a hopeful gleam on the horizon while the flood starts to recede. It was commissioned in 1839 by "Helen's Babies" by John Hables, the Duchess of Sutherland, and is being sent for sale by \$1,000 each. in the same sale a small red

stoneware teapot made by The large dramatic canvas car.

Johann Friedrich Bottger around ries a top estimate of £300,000 but 1710 could make £50,000. Less no work of this quality by Martin has 5 inches high it is a forerunder of Maissan was a few and the contract of the contract teapot.

Christie's has some attractive curiosities on offer today in its Japanese works of art sale. There are seventy five lots from one collection, consisting of items consisting of items in the tea ceremony and mainly dating from the 19th century in the early 19th century. eriod to as little as £100. to the mace in a civil court. Only Phillips is also offering some seven have survived. This examcharming collectibles at its ple was made in 1806 by William caramics sale on Wednesday - Frisbee.

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FINANCIAL TIMES

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Monday March 7 1988

Debt after Mexico

Mexico's bonds-for-debt swap per cent of the face value of their offer as an outright flop would be debt, in the light of the discount an exaggeration. But it was cert in the secondary market. Yet tainly a disappointment. With they ultimately felt obliged to only 95 out of 500 or so creditor take bids at up to just under 75 banks ending up with the new per cent of face value, while the paper, the exercise appears, in average discount worked out at the end, to have been little more little more than 30 per cent. It than an invitation to the less was Mexico's misfortune that heavily exposed banks to make a Brazil experienced a change of graceful exit; perhaps also for a heart in relation to its own mora-few large money centre banks to torium on interest payments at a make graceful token gestures. crucial moment. The balance of But a more general answer to the power appears to have swung sig-Third World debt problem it nificantly back in favour of the clearly is not. And from Mexico's .commercial banks point of view, the savings arising. Whether this is in the wider

cial banking fraternity who argue towards the banks. The reward that the deal means little and has for virtue has been shown to be changed nothing. For a start, an singularly modest in relation to exit bond has the merit of expectation, which suggests that restricting future debt reschedul-political pressure may yet bring ing exercises to a smaller number about a swing of the pendulum of larger banks, which should back in favour of the debtor. And make for less tortuous negotiation, it is questionable whether it overall solution to a problem that would make some for debtors will inequisible a problem that would make sense for debtors will inevitably complicate the such as Mexico to wave goodbye resolution of the developed to the larger bank creditors. Defenders of the package also argue that there is bound to be a Capital adequacy learning process in the search for new mechanisms to restructure

haps there is some modest symhaps there is some modest symbolic importance in it; but with own paper, with the result that a hindsight it simply looks like one major Third World debtor ended more logical step along the path up helping finance the US budget opened by Citicorp, when it deficit. At the same time the US decided to make substantial probability authorities did nothing visions against Third World debt to help the bond issue, by requirement the same with heart and the banks to switch heart and the switch heart an visions against Third World debt to help the bonk issue, by require last year. Without those providing the banks to switch part of scope, there would have been no their general provisions for scope for argument about how Mexico, which count as part of much of the discount belonged to the banks capital, to specific promuch of the discount belonged to the banks can and how much to the visions, which do not. The message is surely that a king feature is the extent to solution which calls for capital which the banks have managed flows from the developing to the which the banks have manag

At the outset the Mexicans reconstruction rather than to pre hoped that banks would be ten-vent it.

TO DESCRIBE the outcome of dering for bonds at as little as 50

on the refinancing are paltry. economic interest is a most Yet it would be too pessimistic point. Mexico can reasonably to go along with those hard-claim to have behaved relatively nosed members of the commer-well, in difficult circumstances,

As long as Latin American bornew mechanisms to restructure old debt.

Whether the Mexicans are contribute to the US trade probright in claiming that they have lem and make it harder for the achieved something by persuading creditor banks to acknowledge formally the market discount against the face value of ing is that the country was their debt is another matter. Perioblized to buy US Treasury baps there is some modest symbolized to provide collateral for its holized importance in it; but with own paper, with the result that a

which the banks have managed to maintain their leverage in developed world is a questionable dealings with the debtors.

Political pressure

Resigned to encourage debt.

A merger policy for the 1970s

THE REVIEW of merger policy scrutiny by the commission. If a launched 18 months ago when referral cannot be avoided, the Britain was in the grip of "take-commission will be expected to over fever", has reached a rather complete its investigations limp conclusion. The civil serwithin about 13 weeks — the vants conducting the internal timescale achieved in the rather than the property of the Ref. vants conducting the internal enquiry have decided to endorse the present, discretionary approach. The policy document issued last week by Mr Francis Maude, the Consumer Affairs Minister, says the Government risk is that it will be achieved at will continue to apply a broad "public interest" test when assessing mergers and will retain the option of making references to the Monopolies and Mergers to the Monopolies and Mergers to the Monopolies and Mergers to the ment to competition".

There is no shortage of rhetoric timescale achieved in the rather unimpressive report on the BA/ BCal merger – compared with the historical norm of seven or eight months.

Speed is important, but the expense of quality in merger decision making. The OFT's slender resources are to be increased: the need to meet this expense is the rationale for charging companies a nominal fee for the privilege of making a a bid. But the minor changes being proposed at

regional development and so part-time, non-expert members. forth should not normally constiregional development and so forth should not normally constitute grounds for a reference. The conservatism of the matched only by its parochial-do so in "exceptional cases". Virtually every controversial merger is regarded by the impassioned participants as a special case.

The conservatism of the merger policy document is matched only by its parochial-ism. Merger issues are discussed as though the UK's membership of the European Community. Were a technicality. To Mr Madue and his collection. participants as a special case.

Prolonged scrutiny

the public interest; others will not. Mr Bryan Gould, the shadow Trade Secretary, has already indicated that Labour would exploit to the full the present scope for discretion; a more interventionist Tory successor to Lord Young

may do the same.

Instead of putting merger policy on to a firm philosophical footing, the Government has concentrated on streamlining refer-ral procedures. Companies which "pre-notify" the Office of Fair Trading of proposed mergers are to expect a preliminary decision within four weeks. Parties to a merger will be able to make stat-

Commission "on grounds other than a threat to competition".

There is no shortage of rhetoric minor changes being proposed at endorsing the spirit of the "Tebblit" guidelines of 1984, which (most members spend only a stated that a threat to competition should be the main criterion for referring bids to the commission. The paper says adverse implications for employment, regional development and so part-time, non-expert members.

and his colleagues, the domestic market is most definitely the UK Prolonged scrutiny

The decision to retain – and indeed defend – the public interest test means that the type of mergers referred will depend on the personality of the Secretary of State and the political party from which he halls. Lord Young may take a robustly narrow view of what constitutes a threat to the public interest; others will market is most definitely the UK market; yet the message Brussals is trying to get across is that, come 1992, it will have grown to 320m consumers. It makes little market to have different merger rules or, indeed, to assess threats to competition mainly by what happens within their boundaries. A fuller discussion of the issues that is most definitely the UK market; yet the message Brussals is trying to get across is that, come 1992, it will have grown to 320m consumers. It makes little market; yet the message Brussals is trying to get across is that, come 1992, it will have grown to 320m consumers. It makes little market is most definitely the UK market; yet the message Brussals is trying to get across is that, come 1992, it will have grown to 320m consumers. It makes little market is most definitely the message Brussals is trying to get across is that, come 1992, it will have grown to 320m consumers. It makes little market to have different merger rules or, indeed, to assess threats to competition mainly by what happens within their boundaries. raised by European integration would have been timely.

Opaque rules

This is most unlikely to be the last word on British merger policy. A document that could have

The new pilot

seizes

the controls

French government.

In the run-up to the French presidential election, Mr Jacques Chirac, the the state, combined with the company's Gaullist Prime Minister, has confirmed the government's commitment to go bly engendered a feeling of superiority ahead with the country's ambitious and self-sufficiency. new generation combat aircraft procombat aircraft export order for two

years.

After some heavy industrial turbulence, Dassault badly needed a boost — a lack of export orders had forced it to lay off workers and close plants over do it-alone policies by their huge export-the last 12 months for the first time in sales," said a long-term follower of the its distinguished history. But although French aerospace and defence industry. its distinguished history. But although Mr Chirac's support for the Rafale and the Jordanian Mirage order has pro-vided a temporary psychological stimu-lus to Dassault, it has not removed the clouds surrounding the company's

ny's founder who took over the running FFr 2bn a year to FFr 11bn, while new of the group 16 months ago, has sought export orders rose from FFr 4bn in 1974 to play down the company's problems. "Dassault has the same problems as FFr 17hn in 1982. That year, exports any other industrial group," he said in accounted for nearly 90 per cent of new an interview in his headquarters in the orders, of which 85 per cent were mili-Paris suburbs of Saint-Cloud. "We must tary aircraft. It is thus hardly surprisadapt our production capacity to our workload. This is happening all over

Mr Dassault has repeated the same reassuring message in a series of French newspaper and magazine interviews. But despite his public relations campaign, few would deny that Dassault's problems are serious and likely to constitute a test case of French defence and industrial policies in forth-

• It depends too much on its single product line of advanced fighter air-craft, although it also makes private business jets and collaborates on space

Dassault faces a series of immediate

It relies too heavily on export mar-kets which have dried up in the recent

oil and dollar crises.

• It has depended too much on the willingness of the French government to adapt its procurement policies to the ds of a go-it-alone national champion and to support its export sales.

These problems have been exacerbated by doubts about the effectivenes of the company's top management. In a sense, Dassault has always had man-agement problems, but in the past they were concealed by the brilliance of its international success and the charisma of its founder, Marcel Dassault, who

died two years ago at the age of 94. Part of the explanation for Dassault's current difficulties is that for many

Brussels sprouts

Carlo's dream

The 23rd floor of the Brussels

France's famous fighter aircraft com-tion to ensure that France's nuclear pany, has been given a reprieve by the deterrent would be purely French and wholly independent.

The warmth of the relationship with undisputed technical expertise, inevita

When the left came to power in gramme, Rafale, to be developed by France in 1981, Marcel Dassault Dassault. And it has followed this by finessed the threat of nationalisation by negotiating the sale of up to 20 Mirage voluntarily giving the French state vot-2000 fighters, worth \$24m (£13.5m) each, ing control of the company. In to Jordan – giving Dassault its first exchange, he was allowed to continue running the company as the dominant

> "It inevitably made them a bit compla cent, and although they were very good they failed to see quickly enough how the markets and the industry was

clouds surrounding the company's changing.*

Between 1974 and 1985, Dassault's Serge Dassault, the son of the compacture export sales rose steadily from about to FFr 14 bn in 1985 reaching a peak of ing that Dassault suddenly faced a crisis when exports of military aircraft dried up completely in 1986 and 1987.

Moreover, the company was less prepared than others to adjust to the new market for fighter aircraft after the oil crisis and the decline of the US dollar. The development costs of new aircraft.

The development costs of new aircraft and electronic arms systems have reached levels which few - if any - individual companies can afford alone. Dassault's past reluctance to join big

group isolated just as it was waking up to the need to find development partners and diversify its product line.

Mr Dassault claims that the compa-

ny's reluctance to collaborate on projects has been greatly exaggerated. "We have suffered from a false image. Our

company has never refused to co-eperate. We have done so on the Jaguar, the Atlantic and the Alpha jet." He also emphasises that Dassault is now keen

group in France has enjoyed more state protection than Dassault fighter market is also being soucezed from two directions – every generation of new aircraft is much more expensive to develop and, in the absence of war,

new fighter projects is both an industrial aberration and a serious blow to European defence cooperation. "The last thing we need is a military Con-

corde", remarked one agrospace indus-

try official.

"Cooperation and diversification is our way of life," says Mr Henri Martre, chairman of Aerospatiale, France's state-owned diversified aerospace

state-owned diversified aerospace group. He says that European aerospace companies must inevitably co-operate if they are to compete against the US. The fact that the military sector has uncertain and sluggish growth prospects compared to the civil aviation market, he says, has made co-operation an essential rule of the game. It also makes restructuring in the defence field much more difficult. It is obtiously burder to make key productivity.

ously harder to make key productivity gains in a market which has stopped

growing," he argues.

Apart from the impact of the lower-dollar and lower oil prices, the military

Paul Betts in Paris looks behind a new lease of life for the Dassault aircraft company

every generation of new jets has a longer life span. Mr Giraud, the French defence minis: ter, has long been an advocate of co-op-eration. When the government con-firmed its intention to go ahead with the Rafale programme earlier this year, Mr Girand indicated that France was very open to co-operation and that there were discussions with Belgium as well as with Spain, West Germany and Britain which are all three involved in the rival EFA project.

think they could now get back into the Ruropean aircraft game with a fighting chance because of the West Germans. costs of the RFA - a larger and more. But even assuming that the programme expensive aircraft than the Rafale.

Collaboration in the fields - a larger and more. But even assuming that the programme finally goes ahead, the

nothing affair. In a modern fighter air-craft, the aeroplane itself represents only about a quarter of the total cost with the rest going more or less equally to the engine, the armaments and the electronics. Dassault's expertise is in the airframe and its avionics. But it is not clear that France is so strongly placed in some of the other compo-Against this background, the French

authorities are showing increasing interest in extending collaboration in fence field with the US. This is reflected in the negotiations between the French and the Americans over a between Thomson CSF, the French state controlled defence and electronics group, and Texas Instruments, the US semiconductor group. If finally agreed, it could create an important precedent in American policy on the transfer of sensitive defence technology to western

The proposed technology swap between Thomson CSF and Texas Instruments is designed to help the Instruments is designed to help the French group develop a radar system for the Rafale with the miniaturised components necessary to fit what is intended to be a relatively light aircraft. Although the deal could still founder if Washington insists on a ban on exports, it none the less marks a big shift in the approach to defence programmes by France and the US.

Doubts on the future of the Rafale ogramme itself have not altogether besided. Ostensibly, Mr Chirac has confirmed his government's intention to go ahead with the Rafale programme designed to supply the French air force and navy with 330 aircraft starting in 1996. In practice, all the government has actually done is to make a firm commitment to place the order for the first two out of the five prototypes for the Rafale programme by the end of April. It was the least Mr Chirac could do during a presidential paign he hopes to win.

roensive aircraft than the Rafale. finally goes ahead, the company will Collaboration in the fighter aircraft still have to face a delicate and difficult field, however, is no longer an all or .. period between now and 1996.

The next few years will test Mr Serge Dassault's ability to assume the formi-dable heritage which his father left him. So far he has shown every intention to seize the pilot's seat at Dassault and try to fly the company out of its

When Marcel Dassault died, Mr Andre Giraud, the defence minister, had serious misgivings about Serge Dassault's ability to succeed his father as the chief executive of the company and tried to prevent him doing so. But Mr Dassault enlisted the long standing links between his family and that of Mr Chirac to defeat the defence minister. Since then, he has adopted a tough industrial approach to reduce costs and improve productivity to help make the company more competitive in the difficult military aircraft market.

In a recent letter to his staff, Mr Dassault stressed that the company's fundamental problem was to reduce manufacturing costs. "We must reduce the cost of the Mirage 2000 and of the Falcon 900 (one of Dassault's business jets) and develop the Rafale at the lowest possible cost. The whole company at all levels must mobilise itself towards this task," he wrote.

To this end, Dassault for the first time in its history reduced its workforce by about 800 people in 1986 and followed this up by announcing a further 1200 layoffs out of a total staff of 15,600 and four plant closures last year. But while cutting back its overall workforce, the company has continued to invest heavily in its traditionally strong research centre. "Although we have had to cut our workforce, we have at the same time continued to boost our research effort by hiring 100 new engineers in our research centre last year. We will be hiring another 100 this year," Mr Dassault says.
Mr Dassault has also scoured the

world for new contracts. But he icknowledges that the decline of the US dollar has made the task harder.
We expect orders of between 80-100 aircraft this year (including private business jets as well as military fighters). The potential for combat aircraft sales next year is more than 150 air-craft. The potential is there but the low level of the dollar does not help us." says Mr. Dassault.

The company has also shown greater willingness than in the past to seek subcontracting work to keep its plants rolling. Indeed, Dassault is negotiating with Aerospatiale the possibility of working on the Airbus programme, but lack of agreement on the financial arrangements has so far blocked the deal. "We have no fundamental objection to doing subcontracting work as long as we make money," explains Mr Although Dassault saw its pretax

profits plunge 90 per cent to FFr 42.6m (£4.4m) in the first half of last year compared with the same period the year before, Mr Dassault claims the company's situation is healthy. "We don't sell planes at a loss and we will still make a profit in 1987 after the special restructuring charges," he said. But there is no doubt that the hardest is yet to come. The competition in the fighter aircraft market is intensifying and Dassault will need all the help it can get from the government to push its export sales. A big question mark still hangs over the future of the Rafale programme and op the attitude to the company of the new French govern-ment which will emerge after the next

n all

ilation

the are other

However, even though Dassault's arrogant self-assurance of the past has made it few friends, there is a broad consensus in France that a debilitated Dassault would not be welcomed. Dassault continues to be a driving force for French technological development. As rrench technological development. As one rival European aerospace official put it: "The French would never let Dassault collapse. The government is bound to come ultimately to its rescue and that is likely to put even more pressure on the world military aircraft market."

to collaborate with European countries interested to join the Rafale pro-But it was the Rafale which dramatically underlined Dassault's determina-

During the last three decades no

years after the Second world war it took to avoid any co-operation in which flourished in a typically French symbit it was not by a long shot the dominant osis between the company and the partner. The company provides elostate, a symbiosis which was kept alive quent arguments why France should by the close links between Marcel Dasby the close mass between Marcel Das-sault and the Gaullists. This relation-tion with the rival four-nation Euro-ship, which was long vindicated by the pean Fighter Aircraft (EFA). Many peo-performance of the company's fighters on export markets and in combat, also

OBSERVER

Napoleon, von Moltke, and Gud-erian all marched in as if they owned it. De Benedetti has used

with 23rd floor of the Brussels Hilton · temporary campaign headquarters for Carlo De Benedetti's daring bid to win control of Société Générale de Belgique offers an appropriately uninterrupted view of the elegant offices of Belgium's most powerful business institution.

The Benedetti has used the tradesman's entrance and at least he is offering money.

Belgium's openness can be misleading. Large companies like the oil group Petrofina and the chemicals concern Solvay, are effectively controlled by a clique of aristocratic families whose institution. of Belgium's most powerful busi-ness institution. ence and personal connection But as the bruising takeover battle for a group that runs one third of the local economy enters its eighth week, the 53-year-old Italian industrialist must be wonence and personal connections are often supported by a complex system of cross shareholdings. La Générale istelf was secretive and aloof - but despite anger at its methods the reaction of Belgians is ambiguous. Even the Flemish business community, still largely considered from La Confemile. dering just how much longer he will have to settle for eyeing up The fact that De Benedetti has not yet been able to devour "La Générale", a task he undoubtedly expected to accompilsh in under a month, owes much to the surpling of the control of the c

a month, owes much to the surprisingly stubborn and so far
effective defence mounted by a
group of Belgian shareholders
and their Paris-based allies, led
by Compagnie Financière de
Suez.

Shock troops

The Benedetti's media blitzkrieg - notably a brilliantly
staged press conference in Brussels on day two of the battle appeared at the time to be almost
a knock-out blow. But his tactics
ince have been to be field

Bunyed up by an interjective. Buoyed up by an intoxicating to his two French lieutenants, mixture of nationalistic fervour, Alain Minc, 38, and the fresh personal animosity towards the faced 30 year-old, Francois

personal animosity towards the unwelcome raider, and blatant self interest, this disparate consortium appears unwilling to sell its abares to De Benedetti at any price, so far.

In many ways Belgium, which can be seen as synonoymous with Société Générale de Belgique, should have been a "soft touch" for someone with the charm and drive of De Benedetti. The state was only established in 1830 and its development has considered.

icy. A document that could have been written in 1978 is not going to seem adequate in the 1998. Companies are left with an incentive to sharpen their lobbying skills and can justifiably complain that the referral rules remain opaque. The Secretary of State retains too much discretion. Perhaps something more radical would have emerged if

merger will be able to make statutory divestment undertakings to
the director-general of the OFT
and thereby avoid prolonged

to make stattoo. Perhaps something more
perhaps the most European of way that may prove to have been
to have been to have been to have been directory
to counterproductive.

La Générale's Governor, René
company was founded in 1822 by
and thereby avoid prolonged

to the review had not been conits people have been helpless in
the face of foreign invasions.

Lamy, is understood to have

The Dickson



"We work on the principle - if it moves privatise it." almost choked at a meeting almost choked at a meeting before hostilities began when Sureau proposed a number of changes which De Benedetti wanted to make, and Viscount Etienne Davignon, La Générale number two and Europe's former steel Commissioner, almost swallowed his pipe at the public suggestion by Minc. that he had invented a business with a capital hase of 110 per cent through a

lands before the two countries went their separate ways. It had always been assumed that both the Dutch and Belgian crowns retained a small shareholding retained a small shareholding over the years. Such a possibility, of course, could be significant considering. De Benedetti is claiming more than 47 per cent and the rival Franco-Belgian camp 52 per cent of the capital. The Royal Palace will not comment but the consesus is that King Baudin's stake is at most less than 1 per cent and probably less than 1 per cent and probably no longer exists.

Stripper's assets

Belgians are sometimes thought of as staid and stuffy but the De Benedetti battle has inspired plenty of wry humour at La Générale's expense. The Flemish newspaper, De Standaard, carried a cartoon of President Reagan meeting Belgium's care-taker Prime Minister Wilfried Martens at the Nato Summit above the caption, 'Mr De Bene-

above the caption, "Mr De Benedetti?"

The cruellest jibes are to be found on a spoof share certificate which has recently been doing the rounds among Brussels stockbroking firms. Société Genérale de Belgique has been changed to Société Geniale(?) de Belgique, Société Anonyme (the local equivalent of joint stock cumpany) has been changed to Société Anodine (anodyne), and the Flamish version Nasmloze has been altered to Schaamloze has been altered to Schaamloze (shameless). The certificate carries the signature of the Italian porno star and politician. Cicciolina, who coincidentally achieved new notoriety when she was expelled from Belgium last week but who is considered by most establishment figures to be a relatively harmless type of stripper.

War and Peace? MA book on the De Benedetti bid has already been published. Could the title of the next be "De Benedetti's Waterioo"?

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South-east England's prosperity has led to increasing pressure for new housebuilding. John Hunt reports on the battle between developers and conservationists

THE NEWS from the Department of the Environment that the number of households in southast England is likely to rise by nearly a million by the end of the century has caused a tremor of apprehension among conservationists and local MPs who are in this already congested region. In an area where scarcity of building land has made house prices the highest in Britain, conservationists fear that these lat-est figures indicate pressure to build on rural sites outside the legally-protected green belts. Pardoxically, it is the very success of the Government in restricting new development in the green belts around London and other towns that is forcing builders to look at other green sites.

English Alamanda and

The builders argue that they have to build in the south-east because that is where the demand is. The restraints on the green belt coupled with the reluc-tance of shire counties to allow for enough houses in their struc-ture plans has forced up the price of building land and thus of

The department's projections, based on figures from the Office of Population Censuses and Surveys, estimate that the number of

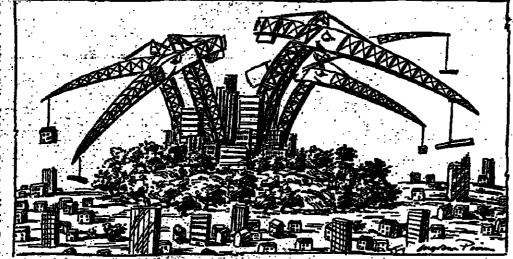
veys, estimate that the number of households in the south-east is expected to rise by about 14 per cent to 7.6m by the year 2001.

They are published against a background of growing concern among conservationists. They claim that Mr Nicholas Ridley, the Environment Secretary, is letting his belief in the free markets override his responsibility for the protection of the environfor the protection of the environment in southern England and that he is allowing too many building developments to go ahead in the face of opposition from residents and local authori-

Mr Richard Bate, Senior Planner of the Council for the Protection of Rural England (CPRE), says: "It is doing immense dam-age to the planning system. The whole thing is falling into disre-

In evidence he cites the latest figures for England, for the year ended March 1987, which show that 43 per cent of appeals which came to the Environment Secrerise from the 35 per cent in 1979. The Department of the Environment denies that it has a policy of overriding local authorities. It says that the number of refusals of planning permission by local authorities rose from 13 per cent in 1983 to 16 per cent in 1986/7. In these circumstances, it says, it is hardly surprising that more deci-

In addition to smaller housing developments there are now pro-posals coming forward for



Fighting for a patch of the countryside

self-contained "country towns" to be built in the south-east. There are also many proposals for major retail developments some of these near the M25 motorway which rings London, would in fact be within the desig-

nated green belt.

A group of about 30 Conservative MPs, representing normally safe seats in the Home Counties and the south-west, are under pressure from their constituents to protect their any represent to protect their environment against housing, office and com-mercial developments. A fierce controversy now centres on Berk-shire where Mr Ridley has proposed modifications to the county structure plan which would allow far more houses than the County Council wants, even though his figure is still lower that that sought by developers. The coun-cil asked for the building rate to be reduced to 1,600 houses a year in the 1990s compared with 4,900 a year over the past ten years. Mr Ridley has proposed that the rate should be 3,000 a year. He is now listening to further representa-tions before making his final-

This dispute is being closely watched as a test case of the MPs. Mr John Redwood (Wok-planning battle in the south-east ingham) warned that the county The Government maintains that could become a continuous urba

The clue to this strategy is con-

tained in a policy guarantee in lar on the south-east which Mr Ridley sent to local authorities in January. It says: "While we recognise the need to reduce the disparities which exist in ecosouth argue that new development conditions in other parts ment should take place in the south and in inner cities where it is more needed. Mr Redwood arones that over the past ten

Builders argue that they have to build in the south-east. because that is where the demand is

to discourage development and economic growth in the south-east in the hope that it will transwe risk losing it altogether."

proposals was argued in the Com-mons by-Berkshire Conservative the proposed level of new hous sprawl. Rhough was enough. Mring is essential to attract a highly Andrew Mackay, Berkshire East, skilled workforce to this area of complained that he and his felhigh technology business and to low Tories felt 'let down and

enable economic growth to consore". An additional 2,500 houses tinue. ency and he was worded about the pressure on roads, schools, hospitals and social services for which the Government had made

> years the leading conurbations had each lost at least 100,000 pop-ulation while the south-east had had to absorb 500,000 new people.

> Mrs Marion Roe, Under Secre-tary for the Environment, replies-Berkshire provides a stimulus to the national economy which benthe inner cities. Even the devel-opment of the inner cities, the use of urban land and the reuse of derelict sites could not meet all the housing and development needs of the south-east. Meanwhile the pres sures continue to Planning Inspector, reports that rose by ever 11 per cent to almost 20,000 during 1986/7. This was the the highest number ever recorded and there was no sign of

proposing to develop entirely new "country towns" in the south-east. Countryside Properties has planning permiss 3.500 houses between Harlow and the M11 to cater for the expan-sion of Stansted Airport. A village of 3,000 houses, a business park and landscaped country park has been proposed near Cambridge by Alfred McAlpine

lingham Hall, near Grays, Essex. later, it is commonplace to hear rejected by Mr. Ridley. He did, that the Prime Minister's "great-however, make it clear that he est single achievement" has been which exists between members research and information efforts was not opposed to well-conto "break the power of the and the leadership. The lesson of into a public relations effort on a
ceived proposals of this kind.
Unions." In fact the "power" was the past is that the unions, in a
vastly larger scale than anything
consortion Developments is now
a myth even in 1979 but recent time of high employment and now undertaken. At the moment ressing on with several other hemes of this type. Mr Andrew Bennett, executive

director of Consortium Developments, puts forward powerful environmental arguments for the concept. He complains that concept. He complains that correct green belts, is now taking issue with any development in the countryside outside the green

The country towns would act as an safety valve beyond the green belt and are an attractive alternative to scattered developments which would spoil the environment, he says. The con-sortium would pay for infrastructure such as schools, community and leisure centres and roads. It is, he maintains, a spurious argu-ment that this will pull develop-ment away from the inner cities. Both types of development are needed to ease increasing pres-sures on the countryside in southern England.

Meanwhile the conservation-

ists are girding themselves for what they suspect will be a new stage in the battle — when, in a few months time, Mr Ridley publishes a White Paper on the future of development plans. If he sticks to his proposals in last year's Green Paper it will mean the scaling down of the role of county councils in planning and the replacement of county struc-The last Conservative general election manifesto pledged: "We will protect the countryside for its own sake and conserve its wildlife while allowing for those small-scale and well-planned developments which are needed to provide jobs and keep country areas thriving. Wherever possible we want to encourage large-scale developments to take place on unused and neglected land in our towns and cities rather than in

the countryside." Conservationists; and not a few it abating. In these circum- Conservative MPs, are looking stances, large building groups are Mr Ridley to keep this pledge.

Trade unions in the UK

Wanted: a giant stride of imaginative leadership

By Geoffrey Goodman and Richard Clements

Cambridge by Alfred McAlpine
Homes East.

The biggest group, Consortium
Developments, representing nine
major construction companies,
had its proposal for a country
town of 15,000 people at Tillibraham Hall near Grave East.

WHEN Margaret Thatcher took
winter took
which does remain that it should
left) the idea of mandatory
fully support the argument democracy. That equally requires
which trade unions can now put channelling far more resources
forward for a truly modernised into the internal education protown of 15,000 people at Tillibraham Hall near Grave East.

The libraham Policy of industry.

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The libraham Policy of industry and the procedure of the industrial events have revived speculation about the scope and shape of a resurgence of trade

> suggest that trade unionism as ; we now know it is obsolete. In fact, the changes brought about by technology and scientific inno-vation make it still more relevant. These developments will increase in tempo and impose even greater strains on the social fabric. What is needed from the unions now, and especially from their leadership, is a giant stride of imagination. Their recruitment eds to be related to the speof all those caught up in the vast industrial changes taking place. It is probable that the TUC review currently under way will come up with many very sensible suswers, but what is much less

There may for instance be a desire to centralise the organisation, to get back to the old con-cept of the TUC as a "general staff of labour." It has powerful attractions but enormous draw-backs. For the crying need for the unions is to establish closer and more substantial links with the broad mass of membership, not for remote centralised leader-

a great many reasons why this is necessary, not least because of the extra resources which such an increase would bring. But is it the highest priority? Would it not be worth the TUC sacrificing, say, another half million in mem-bership and gaining resources by charging a realistic price for the services unions offer? Would that

easy recruitment, failed to:

easy recruitment, failed to:

many unions provide a consider

sable amount of vital information

charging realistic levels of membership fees; devote enough of

existing resources to internal

education; create their own

machinery to counter the argumachinery to counter the ments which its opponents made dinated and sketchy.

sure dominated media discussion There are those

of the unions. The unions will very soon be able, once again, to become an future, there must be a widening extremely positive force. But that division between them. That is a will only follow from a deter-silly argument which fails to mined and combined effort to recognise the fact that the produce the right solutions. organic relationship between Although the growth of manage- them is inescapable. The unions rial power, deliberately encouraged by the Thatcher regime, will
bring with it a backlash (a perfect example is the recent Ford
dispute), by itself that will not
Party needs the unions because a recreate union strength. There mature democracy cannot be are three methods by which the fully achieved without a broader unions can become the creators economic democracy. The rela-of the change which is needed:

By arguing that their main has always been most successful ic objective is to ensure that industry becomes productive rather than integrated. There are and efficient, but that increases in production should not be used inevitably arise between the two solely for rewarding shareholders organisations. progress (whether that is in out its own review. Both bodie rebuilding the public infrastruc- are conscious that their role ture or reinvestment in private must adapt to the social changes industry). The Thatcher idea that taking place in British society, efficiency comes only from manawithout losing sight of the civilisgerial prerogative is demonstrating objectives which must motibly false. Indeed there are many vate them. The future of the examples of how management trade union movement is far has been the braking force in from bleak; the victories it has to British industry, unwilling to win will be as significant as those adopt new methods or re-invest won in the past. But first victory effectively. The unions should will have to be gained over the welcome change as long as it inertia which has built up within does not automatically consign its own structure. That will their members to unproductive require huge efforts of imagina-unemployment or to conditions tion and leadership, but both which seriously reduce their those qualities are available standard of life. It would be sim- within the movement.

ple to construct a manifesto for Geoffrey Goodman was for-change on these lines which the milons could adopt as their major Daily Mirror. Richard Clements,

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ably, because this extensive display attracts

more than 400,000 visitors from all over the

intelligence.

There are those who argue that, for either the Labour Party or the trade unions to succeed in differences in emphasis which

The Labour Party is carrying

 By experimenting with every until recently executive officer in e method of participation the Leader of the Opposition's

Tax-cuts will risk inflation

From Mr Andrew Britton. Sir, I am afraid Samuel Brittan (March 3) does not allay my conments deficit. Neither does b deal adequately with the arguments we put forward in Febru-ary's National Institute of Economic and Social Research

In present circumstances income tax cuts risk adding to inflation, because they make the balance of payments worse, and make it more likely that the exchange rate will fail. One way of preventing this might be to raise interest rates and keep them high relative to world rates for an indefinitely long period. This seems to be Mr Brittan's preferred policy. We think it mistaken and damaging to industry. We also think it will fail, sooner or later, to hold up the exchange

only delayed. If the Chancellor wants to minimise the risk of inflation, he should not cut income tax at all. Andrew Britton

2 Dean Trench Street, London SW1.

From Mr V.N.U. Wood. Sir, Your recent reference (February 26) to arrangements for compensation payments for Chinese and Russian debts prompts compensation payments for Chinese and Russian debts prompts ethical duty of personal sacrifice me to draw attention to a grave rather than always assume that the comment of the state?

The comment of the state of

.without comment. It affects the shareholders of a company called Russo-Asiatic Consolidated Ltd., of which my forebear, Leslie Urquhart, was chairman. Its assets were seized

by the Bolsheviks in 1917. These consisted of metal and mineral interests in Russia. including copper, iron and coal mines, related processing plant and machinery, river boats, and there much else. Leslie Urquhart, who redress. was on good terms with the pre-revolutionary Russian authori-

A claim for £56m (about £600m

Letters to the Editor

The strategy is to achieve simplicity

From Mr Philip Chappell.
Sir, Your leader "Medium Tax Strategy" (March 2) implies that those of us who advocate a simple flat-rate income tax system, with no allowances, perks or of complex tax systems and reliefs, do so solely in the belief cross-subsidisation. that such a system would be sim-ple and enhance the overall effi-

ciency of the UK economy. Simplicity and efficiency are virtuous enough in themselves, but ours is a far subtler and more philosophical justification. The fundamental basis of an open, dynamic and democratic society ate.

Thus inflation is not avoided, power and patronage; tax systems which are used to influence consumer behaviour and distort choice tend to institutionalise savings (as with pension funds) and minimise personal

involvement.
In the UK we believe passion-

Assets were seized in 1917

responsibility for the disadvan-taged and handicapped. We do not deny the need for an ultimate safety net; but its costs should be transparent, not buried in a maze

The calculations are simple; the UK Taxable Base is some £300bm, and income taxes on persons, including national insur-ance contributions, about 254bn. It is easy to calculate that a straight 10 per cent income tax plus an 8 per cent social tax, on all income, could replace income tax and national insurance. All higher rates, and taxes on capi-tal, are abolished: all perks and tax privileleges simply wither; the poverty trap is swept aside. Unemployed tax advisers would be the only ones to complain.

The Chancellor's Budget on ately that one man's tax privilege must, by definition, be another his strategy to achieve such similar man's tax burden; that millions of individuals independently are more likely to make better decisions than the state collectively; freedom and reduce the feudal and that we need to restore the maternalism of the "Naura" maternalism of the "Nanny

today) in respect of Russo-Asiatic's seized assets was lodged one hand the Foreign Compensa-with the Foreign Office in the tion Commission is debarred -

1920s. Only with the reparations under the terms of the Govern-accord with the Russians, signed ment's compensation order— in 1986, and the availability of from entertaining any claim from the Compensation Fund, has the Crown against the Russian there been any prospect of Compensation fund. On the other redress. was on good terms with the pre-revolutionary Russian authori-ties, had built up the business to atic in 1983, with its assets losers of any in 1917, are now the point where it was, in 1917, exhausted At that point the offi-prevented by the liquidation — one of the great mining enter-cial receiver closed the books, itself a direct though not of prises in the world — not unlike and the company's Russian claim course immediate result of the the present RTZ.

passed to the Crown as "bona revolution — from pressing their

From Mr R.N. Philipson-Stow and Sir, As compliance officers in a financial services group we have as most to the City's new regula

Contrary to what appears to be the general view, we are dis-turbed by the departure of Sir Kenneth Berrill from the Securities & Investments Board (SIB); an event which seems to have been engineered by a concerted publicity campaign orchestrated by the City "Maila." Sir Kenneth was given a difficult task which he should properly have been

We believe that your leader of February 25, which describes the fundamental purpose of the UK's first attempt to provide comprehensive investor protection, and your subsequent leader of February 29, hit the nail on the head; that as a result of the Bank of England's failure to renew Sir Kenneth's appointment that Kenneth's appointment the anthority of SIB will be seriously weakened, to everybody's detri-

share the resentment of all con-nected with Russo-Asiatic, when they know that Leslie Urquhart gave much of the latter part of his life to the cause of all British citizens who lost property in Russia. For a time he was president of the Association of British Creditors. He was also Lloyd George's adviser on Russian affairs at the 1922 Genoa repara

without delay that the Russ Asiatic claims now vested in the Crown can be presented to the Foreign Compensation Commission; and that any compensation, which will be little enough, is made over to those to whom, in

There are other schemes for companies seeking export finance

Sir, I was both interested and new arrangements between the cles issued by major European concerned to read the report bank and ECGD are tantamount credit insurers. This latter point (March 2) on the introduction by to replacement of the Compressivity in terms of the planned Midland Bank of a revised hensive Bankers' Guarantees completion of the European maishort-term export finance

(as opposed to policies managed also, if it wishes, to use alternations. However, the new arrange-by the banks) - which it is not; tive cover through the private ment falls far short of the protec-

(CBG) withdrawn by ECGD last ket by 1992.

October - which they are not.

and it is suggested also that the sector and, more recently, poli-

With regard to the first point, it is of course important time that finance has been made available to exporters against their own Export Credits Guarantee Department (ECGD) policies own relationship with ECGD but of fast more time. With regard to the second

Finally, reference was made to the banks' disappointment in the take up of their various schemes. Conversely, we are not; currently we are very actively supporting

exporters in some 55 industries, ranging from major public groups to starters in export. R.A. Pilcher, The Export Finance Company, Exfinco House,

SIB's authority has been weakened

We believe that your leader of

R.N. Philipson-Stow, 32 St Mary at Hill, EC3

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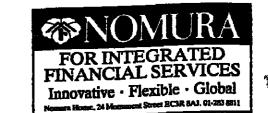
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FINANCIAL TIMES

Monday March 7 1988



Deborah Hargreaves on Wall Street

Defending the options option

THE SCARIEST thing I've ever done in my life is to try to buy stocks at 3.45pm on Black Monday," laughs Mr Jim McConnon who is in charge of portfolio man it at the RXR Group.

But Mr McConnon managed to complete his order before the market closed, and RXR survived the crash without serious damage to the portfolios it manages.

In fact, with a 17 per cent total return on the stock assets it had under management for last year, Mr McConnon's firm has leaped into the top 2 per cent of US money managers, as computed by SEL, an independent firm.

Mr McConnon's computer mod els had told him to adjust part of his exposure on Black Monday between bonds and stocks. He kept the rest of the firm's

assets protected by RXR's ver assets briteted by half a ver-sion of portfolio insurance, which involves using stock index options as opposed to the contro-versial strategies employed by other portfolio insurers in the

futures markets. In the debate that has sur rounded portfolio insurance's fall from grace after October's stock market crash, RXR has been out-spoken in its belief that options are the only insurance policy

worth having.
The sale of futures contracts to protect a portfolio in a sliding market has been partly blamed for helping to push the stock market into its unprecedented

On Black Monday, RXR was in the enviable position of having most of its \$300m in assets hedged with put options.
Puts, which are options to sell

a stock index futures contract to a specified buyer at a given price, help protect against a volatile market, making an investor secure in a downturn.

It was not just luck that saved the day for RXR. The company, which was formed in 1983 when its chief partners left Merrill Lynch, does what its computer programs tell it to. Mr McCon-non, as a "well paid babysitter," presides over RXR's Dynamic Portfolio Management system - its version of portfolio insurance.

In defiance of the mainstream portfolio insurers, led by the West Coast firm of Leland O'Brien Rubenstein (LOR) and using mostly futures for insurance, RXR had long championed

options insurance. In spite of its lack of depth, the options market is attracting a EAST GERMANY has arrested the reports "lies and slander," were called off by the church, involved in an intensive series of growing hand of converts, who more than 100 citizens seeking to but confirmed there had been after the East German governwatched what happened to emigrate to West Geri futures strategies during Black Monday's posedive, when no one would buy the contracts the

insurers were selling.

The use of futures to insure a portfolio involves selling stock index futures contracts as a cheap way to simulate a put option, but the strategy relies on finding a buyer for the huge blocks of futures contracts that have to be moved quickly, particularly in a market downfall.

Using the options market is more expensive than buying futures, especially in the volatile markets that have followed the crash, but the price risk is limited to the cost of the options

Mr McConnon explains how he bought stock index put options before the crash that entitled him to sell a stock index futures con-tract by December for \$340 (the value of the contract is 500 times

the quoted price, or in this case, He exercised the option and sold the futures contract for that price when the market was trad-ing at between \$210 and \$215. These put options protect a

portfolio on the downside if the market runs the risk of becoming more volatile. But it does not rule out the use of futures as part of the hedge.
Mr McConnon believes a move

managers backing away from the creation of an artificial put option through the futures mar-

the authorities were to "let the pound go" it might shoot up to DM3.20, or higher, and stay there. "That would clearly give rise to compete," one official said yesterday.

Officials are also concerned that to let the pound on would set. The LOR school of portfolio insurers, however, dismisfocus on options as a pure mar-keting ploy to sell the unpopular concept that portfolio insurance that to let the pound go would set Some leading securities houses a precedent and undermine the have been recommending to forauthorities' ability in the eyes of eign institutional investors a the market to support the pound switch from French franc

alone is not appropriate for the huge portfolios it manages — the company is estimated to have held half of the pre-crash \$60bn to \$90bn insurance market — but does not rule them out as part of the helding procedure or for

Robin Pauley in Geneva examines Pakistan's dilemma in the search for an Afghan solution

Facing an unhappy compromise

THE GENEVA talks aimed at securing the withdrawal of 115,000 Soviet troops from Afghanistan enter a decisive week today with Pakistan isolated and apparently boxed into a corner over its attempt to link withdrawal with the formation of an interim coalition government Mr Zain Noorani, Pakistan's

Deputy Foreign Minister, returned to Switzerland last night after flying to Islamabad, capital of Pakistan, for urgent consultations about his dilemma in Geneva.

He stopped briefly en route in Moscow yesterday, raising specu-lation that he might have had a quick meeting with Mr Yuli
Vorontsov, the Soviet Deputy
Foreign Minister, in his search
for a way to save face when the
negotiations resume this mornBut essentially, the withdrawal

The key question now is troops will withdraw 60 days whether Pakistan will sign the after signing, remove 50 per cent withdrawal agreement in the of their troops in the first three absence of any gestures towards months and complete the exit its demands for a broad-based within nine months of starting. A coalition government in Kabul to 40-man United Nations observer be linked to the accord. force, under the command of a Mr Noorani's position has Scandinavian, will use helicop-become more difficult this week-ters to monitor the withdrawal

end with mounting pressure in and will report to each side.

Pakistan for the accords to be signed as soon as possible to get dismayed at the way they have the Soviet troops out of the been transformed within a month in the research the result from the

At a meeting on Saturday of 19 political parties in Islamabad to discuss the crisis, the opposition urged Mr Noorani not to allow anything to delay the signing of anything to delay the signing of the accords and to get the Soviet withdrawal under way, a view US. But Pakistan has made some shared by many government sup-

porters in Pakistan.
Virtually all the main issues relating to how and when the Soviet withdrawal should take nearly six years ago. Only Afghanistan and Pakistan, home place - after more than eight to more than 3m of the 5m years of occupation - were agreed in Geneva last week. Afghan war refugees, take part. The talks are indirect, mainly

This week some odds and ends because of Pakistan's refusal to have to be tied up on issues such acknowledge the Kabul regime as as the status of a clause about a legitimate government. It sees amnesties and recognition of border designations which, while
important, have never been seen
biego Cordovez, a UN mediator,
as major obstacles.

A proprietable mediator of borit instead as an illegitimate
quickly, as indeed they were. But
it also became clear that Pakistan's demand for an interim goverrment to be in place in Kabul A more important problem is

the differing US and Soviet inter-pretation of aid to the warring officially only by Pakistan and parties in Afghanistan and what Afghanistan, neither they nor Mr

BY LESLIE COLITT IN EAST BERLIN



in the eyes of the world from "the

good guys" supporting opponents of a communist outrage, to the

key diplomatic errors, helping to bring this situation upon itself. The Geneva talks started

Although agreement on with-

E Germany arrests 100 in

crackdown on dissidents

em" in the way of a solu-

The key question now is whether Pakistan will sign the Geneva withdrawal agreement in the absence of any gestures towards its demands for a

broad-based coalition government in Kabul to be linked to the accord.

Cordovez are the key players. The US and the Soviet Union, with small teams well away from

accord is in place. The Soviet the Geneva talks, make all the key decisions.

This is at the root of the difficulties which make a public capitulation by Pakistan this week virtually the only possible alternative to international condemnation for delaying the Soviet pull-out.
Pakistan fears, with justifica-

tion, that a Soviet pull-out under present conditions will lead to continued fighting in a civil war which will deter the refugees from returning home and which could ultimately spill across the Afghan-Pakistani border. The Mujahideen guerrillas, headquartered in Pakistan and

the recipients of massive US mili-tary aid, are determined to con-tinue fighting against the Kabul Government and not to accept any administration containing Mr Mikhail Gorbachev, the

Soviet leader, announced last month that the Russians would pull out on May 15 if the Geneva withdrawal accords were signed by March 15. This suggested that differences on the withdrawal timetable could be solved before the Geneva withdrawal accords were signed was unat-

arrived in Geneva last week pre-pared to make a major concession: a commitment to construct a new government "simultaneously with the withdrawal" would have sufficed.

As agreement was quickly reached that the withdrawal

sians to discuss even this. They asked Mr Cordovez to make one last attempt for a gesture from the Soviets on Thursday. The request failed.

Mr Abdul Wakil, the Afghan

foreign Minister, rubbed salt into the Pakistani wounds by announ-cing in Geneva that as far he was concerned negotiations for withdrawal were complete and the protocols could be signed. Although Afghanistan also

wanted a broader-based govern-ment as part of its policy of national reconciliation, it could take a long time and Mr Wakil refused to guarantee it would be in place before the last Soviet soldier left Afghan soil Pakistan's two key mistakes

have been to return to the Geneva talks last Wednesday unclear about the likely status of the compromise they were planning to offer and, more crucially, not to have put enough pressure on the Mujahideen to include ierates in their proposed candidates for an interim govern-

Whether Pakistan agrees to sign or not makes little difference to the remote chances of peace in

continue the war for months even if external aid ceased.

Speculation

PIRELLI GROUP managers were

mounts over Pirelli plans

more than 100 citizens seeking to but confirmed there had been as weep by the security forces of designed to stop several hundred thousand East Germans repeated thousand East Germans on the East German government agreed to release those thousands and the authorities had apparently reversed their tactic of expulsions and were now seeking to emigrate range that the property of the mass arrests in recent days marked the latest phase in a crackdown by the authorities, in which led last month to the expulsion from East German who is compensation from East Germans who penly protested against restrict of the manufacture of the way.

Other East Germans who openly protested against restrict of the manufacture of the way.

All least 70 East Berliners, who is submitted applications to "resettle" in West Germans, who is submitted applications to "resettle" in West Germany, were wifely given enit visas to get them out at the propension of the way.

All least 70 East Berliners, who is submitted applications to "resettle" in West Germany, were set with the seeking to emigrate. They have staken into custody, East German with the community system, while the latest face and other East Germany were this failed to dampen of the way.

All least 70 East Berliners, who is submitted applications to "resettle" in West Germany, were withing to emigrate. They have staken into custody, East German of the East German who penly protested against restrict get in the control of the way.

All least 70 East Berliners, who is submitted applications to "resettle" in West Germany were not yet and the church was submitted applications to make the latest face and the church was submitted applications to make the latest face and the church was submitted applications to "resettle" in West Germany were only the proposed of the proposed o

UK resists pound pressure Angola peace deal offered

There is clear concern that if when forces were working in the the authorities were to "let the other direction.

ther pro-Soviet nor pro-South to live with that . . . an internal African, but neutral and non-aligned. and non-aligned. an internal to live with that . . . an internal solution is essential which goes together with the withdrawal of

"We realise that a future gov-ernment in Luanda, seen against the tension between East and quently expressed barely dis-West, must certainly follow a guised contempt for long-running non-aligned and neutral political American diplomatic efforts to attitude. South Africa is prepared

foreign forces," Gen Malan said.

The general, a cabinet "hawk" on security matters, has fre-

Bush wins South Carolina

the South, not to mention Massa-chusetts in the north and Wash-ington in the west, do suggest has been particularly popular in that Mr Robertson may not be the potent political force in the South. South which his supporters have

denying Mr Bush the Republican nomination will be harder.

From Mr Bush's perspective the South Carolina result, which he gleefully described as "fantastic" seems to justify his election strategy.

Which President Reagan has embodied of pushing for lower taxes and maintaining America's military strength.

The Democratic Party, which goes to the polls in South Carolina next Saturday, will be hald-

Republican voters as the experi- states on Tuesday.

promising the South's tradition been claiming.

If this proves so, the task of he will stay true to the policies denying Mr Bush the Republican which President Reagan has

He is presenting himself to ing primaries or caucuses in 20

THE LEX COLUMN

Counting the cost of going global

should last nine months (with 50 per cent of Soviet troops leaving in the first three months as Pakistan demanded) and the withdrawal should begin 60 days after signing in Geneva, this meant Pakistan was asking for a sovernment to be awarded over a sover meant Pakistan was asking for a government to be created over a total of 11 months.

Mr Noorani's team is embittered by the refusal of the Russians to discuss even this. They short-term effects of the October crash on their business, but also deeper concerns about the continuing viability of their efforts to ievelop into truly international

> Most Wall Street firms have already revealed the immediate damage caused by the crash and, not surprisingly, those with a rel-atively high proportion of corpo-rate fee income, such as Morgan Stanley, have done better than firms which are more reliant on firms which are more reliant on trading, such as Salomon. In the UK, the picture has been even more patchy, with the invest-ment banking arms of NatWest and Barclays turning in widely differing losses; while the tradi-tional merchant banks, with international aspirations, such as Kleinwort Benson and Morgan Grenfell, are expected to show

third in their 1967 profits.

Fortunately, corporate finance activity has proved remarkably resilient on both sides of the Atlantic, after a brief interlude in the immediate aftermath of the crash. Indeed, the continued buoyancy of income from this side of the business should go a Afghanistan. The Geneva talks are not peace talks and the accords to be signed (or not) are not peace accords.

The US, realising this, has stepped up its supplies of weap-including Stinger missiles are including Stinger missiles. last summer's built market, there is considerable scope for a recov-

Longer term doubts

ery in profits in the current year,

especially since most firms can easily improve their bottom line

just by cutting last year's inflated

But while the prefits of the world's major investment banks should bounce back in 1988, one of the longer-term consequences of the crash has been to raise doubts about the strategy of the global players. Although there continues to be a widespread belief that a successful international investment bank has to be



its brokerage arm, there are signs that the accepted wisdom is starting to be challenged.

At one level, this is the result of the heavy securities losses incurred last October. Not only has this damaged the capital position of some of the more ambitious global players, but for some of the newer entrants, most particularly the commercial banks, it has also highlighted, for the first time, the sheer scale of the risks involved. As a result, the shareholders and parents of many investment banks must be asking themselves whether the accepted rate of long-term return on their investment is commensurate with the real risks surate with the real risks involved. This is a question which cannot be avoided for long, given the helty appetite for new capital in areas such as market-making and increasingly in corporate finance, where the provision of bridging finance is often a necessary quid pro quo for winning lucrative fees.

Thinking again

However, there are a number of other factors which are forcing some of the players to have second thoughts about pursuing their global investment banking strategy with the same vigour as existed before the crash. It is pos-sible, for example, that the great swing towards securitisation of financial products, which has forced many commercial banks into the investment banking arena, may have passed its peak. The liquidity of some of the markets for these new-fangled prod-ucts has sometimes been found wanting. There are also signs that investment banks which able to do everything from using ships rather than the cheapest mercial banks, is that their its corporate finance skills to execution of one-off financing global ambitions could exceed transactions are beginning to their capital, if not their capabilities.

the UK, and Dillon Read in the US, remain peculiarly prominent in the corporate advisory league tables, even though they do not boast any sizeable market-mak-

Finally, despite the impact of the crash, there is ample evidence of continuing excess capac-ity in the global investment banking arena. The dominance of the Japanese firms in the Euro-bond market, where returns are pitifully small, is the most extreme example. But there are plenty of others, such as the UK gilt-edged market, where the pro-fusion of market makers ensures that returns on capital remain well below acceptable levels.

Too many markets

Already, there are some tell-tale signs that the trend towards the development of several truly global investment banks is begin-ning to lose momentum. The recent well-publicised departures of senior corporate finance executives from First Boston and Morgan Grenfell, to set up their own corporate finance boutiques, is a sign of a swing back towards spe-cialist financial firms; this also raises the question of whether substantial capital backing is as important to doing deals as has sometimes been suggested. Meanwhile, no international investment bank has yet proved that it can successfully master the chal-lenge of establishing a major presence in the world's three great capital markets - Tokyo, New York and London. Over the longer term, Japanese firms, such as Nomura and Nikko, which have substantial placing power, would seem the best placed to achieve this role. However, they have yet to show that they have the corporate finance skils to match those of Morgan Stanley or S.G. Warburg, say.

By the same token, the latter

have nowhere near enough capi tal to make any real impact on the Tokyo financial market. Even for such successful firms, there is a real dilemma about how they should deploy their scarce capital dilemma is even more acute for firms, such as Kleinwort Benson and Morgan Grenfell in the UK, which have yet to prove that they can achieve sustained profitability in their domestic markets. The problems for firms such as se, as well as the investment bankin

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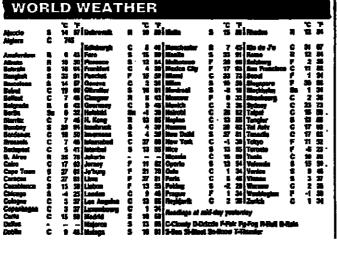
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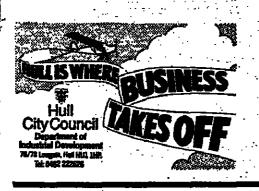
LOR insists using options

does not rule them out as part of its hedging procedure or for smaller strategies.

But, "in options you get what you pay for." stresses one convert, Mr Brian Bruce, new products manager at Chicago's Northern Trust bank, who manages \$535m.

He describes how he backed off from using futures after walking over to the Chicago Mercantile Exchange on Black Monday and "watching an entire pit of people with their hands under their armpits."





SECTION II - COMPANIES AND MARKETS FINANCIALTIMES

Monday March 7 1988



INTERNATIONAL BONDS

Subordinated issues unsettle syndicate managers

buying subordinated debt since they rank below all other creditors, and superior only to share-holders, in the event of insolbooks after three months.
Supply of such bonds is likely to increase because they provide a cheap source of capital not only for banks, who are under pres-

sure to improve their capital ratios, but also for UK building societies who were first allowed to issue them only last month. Banks and two societies, Nationwide Anglia and Alliance handy source of demand for sub-

nated Eurobonds last week is vate placements, most paying a let of the underwriting commulikely to signal a flood of such spread of 50 basis points over nity. Since London banks in the issues, which could quickly overwhelm demand.

Investors think twice before Tasts over the last few they do about hot potatoes, substituted debt since.

vency. If they are banks under Lloyds Bank and Leeds Permathe regulation of the Bank of nent shopping for 10-year funds England, investors have particu-in the Eurosterling bond market. Iar problems since they have to They chose the fixed rate sector. allocate capital to any holding in rather than the FRN market, a subordinated issue still on their because swaps into floating rate because swaps into floating rate funds provided them with cheaper money than the spread of around 12 percentage point over Libor they would have paid on an FRN.

expensive means of raising sub-ordinated debt since the market is dominated by London-based banks, who fall under the Bank of England's requirements. By & Leicester, recently uncovered a contrast, non-bank institutions who buy Eurosterling fixed rate

SYNDICATE MANAGERS admit building societies provide the However, before falling into they are nervous. They fear that bulk of loans for home purthe hands of non-bank investors the appearance of three subordichases). A number of 10-year prithe issues have to run the gauntordinated bonds tend to fall to steep discounts in the early demand has dried up for the stages of their lives unless they moment. So last week found both are handled very carefully.

Lloyds Bank's issue, which was isunched at a yield spread of about 80 basis points over gilts, had slipped to less 3 bid, against two per cent fees, to yield around 10.56 per cent (or slightly more than 50 basis points over Libor). identified clear demand for 10year Leeds Permanent paper pay-ing 105 basis points over the com-parable glit-shead of the bond's launch, though the market did not see the bond's pricing as strikingly attractive. The deal was quoted at less 2 bid on Fri-day afternoon, to yield 10.69 per

instrument: the variable rate

But if demand for subordinated bonds is weak in the Eurosterling akin to a short-term instrument market at the moment, borrowers in that investors are invited to should perhaps look to the Aussubmit competitive hids for paper traiten dollar market. The Union on a quarterly basis. Each cusbank of Norway's A\$50m bond tomer is asked to submit his sell, found a strong response when it hold, or buy order on the basis of In one sense, accessing the Aussie market for subordinated paper is the nerfect arkitest. paper is the perfect arbitrage, will be applicable to his own Continental retail investors holding, rarely think twice when profesed. The Halifax is expecting that

However, some dealers were concerned that the small West German and other European investors who make up the bulk of the buyers of A\$ paper might not fully understand that they were not buying Union Bank of Norway's senior debt. Meanwhile, Halifax Building Society was in the market for

note in that it has a final maturity after five years, but is more

a bond with a coupon higher its overall interest payment de-than 13 per cent. Meanwhile, termined via these auctions, will

points or more it would pay over Libor on a straight FRN issue. The investor has to assess what he will charge the society for what is essentially a three-month instrument which carries a slight risk that it will turn out to be longer-dated, if the sell order cannot be matched with a

The upper limit on the interest rate margin investors may ask for is Libor plus 50 basis points. and the same rate will be applied to the holding of any investor who tries but fails to sell paper at the auction. But though the spread is handsome, it still might not suit a non-bank seller who finds himself short of cash. On Friday, one investor at an international bank said that if he

were bidding for the Halifax's paper as an alternative to buying a sterling FRN he would ask for a read of about ${}^{\perp}_{1}$ point ove

This implied a three basis point pick-up over the yield pro-vided on an existing five-year FRN for the society, to cover the risk of not being able to liqui-

Kongsberg creditors to receive 42% of outstanding loans

BY KAREN FOSSIJ IN OSLO

A GROUP of 33 foreign bank the Soviet Union.

creditors with outstanding loans After being in loss for nine totalling about \$240m to Kongsberg Vaapenfabrikk, Norway's further government funding dismantled arms maker, are to which it needed to service its receive a settlement of 42.5 per debt on a series of outstanding loans to domestic and foreign. according to a government-ap-banks. pointed committee.

The settlement is expected to against bankruptcy for the com-be resolved by mid-June although pany, implemented instead a it will take at least 40 per cent "composition" solution which approval by the creditors to gain acceptance.

ees scope for additional repayment in the range of 5 to 10 per cent by end-1988 or early-1989 because sales of assets of the company brought in more revenue than originally estimated and because some claims have been rejected by the committee. The KV affair has seen the near bankruptcy of the company and an export scandal involving

ent of what they are owed, loans to domestic and foreign KV's board, which voted

"composition" solution which forced creditors to write off part of the debt and settle for partial

However, the terms of the debt settlement emerged more positive than creditors' original estimates of repayment in the range of 30

In a report made by the compo-sition committee KV's board of directors were heavily criticised for their assessment of the depth of company's financial problems.

Sweden finds way to broaden appeal of new \$1bn CP

den's government trade finance investors effectively regarded the concern, thinks it has found a paper as locked up until matuway to broaden the investor rity, and some were, as a result, appeal of its new \$1bn Eurocomput off.

mercial paper programme, which The new idea, designed by SEK could eventually become a regular Bankers Trust, a dealer on

commercial paper is now issued to sell the package quickly before on a hedged basis, dealers estimaturity.

Mr Peter Livijn, associate

February, 1988

10 B.V.

SWEDISH EXPORT Credit, Swe-unwinding all this meant that

lar feature of the market. Its programme, attempts to
The market's rapid growth last address the problem by rolling
year was fuelled in part by invesboth contracts into one. The pretors who did not want exposure cise details of how it is to be done to the weakening US dollar, and are being kept under wraps for used the forward foreign now, but in essence it will sinexchange market to hedge that plify the process of buying risk. As much as 25 per cent of hedged paper and allow investors

and three parties: the issuer, director in SEK's treasury depart-investor and the counterparty for ment, says he thinks its simplic-the swap in the foreign exchange ity will ensure the idea is taken market. The complications of on board by others in the \$550n

market. The new-found liquidity deal. Details of the terms have for such paper will help to widen not been disclosed.

has started syndication of a two-part financing to support the export of gas turbines by GEC Disne Turbine Generators of the UK to Paris. Development Corporation of

China borrows £171.7m, over a Paribas (London). The margin is 20-year maturity with a 7½-year 22½ basis points over Libor, but grace period, under an Export banks will be expected to absorb Credits Guarantee Department the first 6¼ of reserve asset

HIPDC itself is the borroy ised interest. Repayments start in less, and of 5 basis point the 42nd month for the six-year than 40 per cent drawn.

Still with project finance, Risewhere, Chase Manhattan French banks are submitting bids as started syndication of a twostruct Euro-Disneyland, the new Disney venture just outside

> Terms emerged for a £150m, five-year revolving credit for the Cheltenham and Gloucester Building Society through Banque

for the second part, initially \$25m 10 basis points on the unutilised but rising to \$27.75m with capital portion if drawn by 40 per cent or ss, and of 5 basis points if more

the fact that the deal has been underwritten by six banks, ested some lessons had been learnt from the very slow prog-ress of a £200m facility, launched in January, for the Leeds and ermanent Building Society. **Bank of America International**

has been mandated to raise 275m over five years for City & Provincial, the house finance subsidiary of the NEL Britannia Group.
The financing, secured by mortgages and a buyback guar-

Bankers said the pricing, and tubular steel goods subsidiary of he fact that the deal has been Lone Star Technology, is raising \$75m over three years through Credit Suisse First Boston. There is a margin of 4 percentage points over Libor, a commitment fee of 30 basis points, and a par-ticipation fee of 20 basis points

for \$20m. Several deals were increase following successful syndication, including two for Swedish borrowers. Modo, the paper maker, was doubled to \$200m, while that for Aga was increased by \$50m to gages more than three months in for John Laing, the UK construction group, was raised from £50m to £65m. A US commercial paper basis points for a £7.5m committee of credit facility for Table 1. Lone Star Steel, Dallas-based raised to \$45m from \$30m.

B & D lifts bid for American Standard

can Standard, the building prod to Black & Decker's old offer ucts manufacturer, to \$73 a share, American Standard's st

January, announced its new property developer, had received price on Friday in response to a Federal Trade Commission rejection by American Standard's approval under the Hart-Scott-Roboard of its \$68 a share offer.

American Standard said earlier cent of its stock, Reuter reports

in the day that it would go deeply from Universal City.
into debt to finance a bold recapiLast month, MCA disclosed
talisation plan, which would give that Mr Trump owned about 12 stockholders \$64 a share in cash per cent of its shares. On Friday and a low-grade bond worth \$5. MCA shares closed down \$1/2 at The plumbing and air conditioning group said the improved Exchange trading before the plan - which was to be financed Trump announcement was made.

BLACK & DECKER, the US with bank debt, funk bonds and a maker of domestic power tools, surplus in the company's pension has increased its bid for Ameri-plan - was "financially superior" American Standard's stock

rose \$3% to \$7212 in response Black & Decker, which has •MCA, the California based steadily increased its offer since film production group, said Mr bidding \$56 a share at the end of Donald Trump, the New York



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PROVINSBANKEN A/S PNC INTERNATIONAL BANK Trans-Arabian Investment Bank E.C. ZENTRALSPARKASSE UND KOMMERZIALBANK, WIEN VEREINS- UND WESTBANK INTERNATIONALE

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

February: 1955

This announcement appears as a matter of record only

UK GILTS

Eyes on Lawson for sense of direction

THE GILT-EDGED securities of a possible opportunity to raise market is stuck in a narrow trad-rates before the Budget. Its ing range and all the indications suggest it is likely to stay there wersely, working too well.

until next week's Budget pro
It has so forcefully enunciated until next week's Budget pro-vides the sense of direction now

For the past two weeks or so the market, at its best, has been prepared to see yields for longerdated securities fall to around 9.20 per cent. At its worst, yields have risen to around 9.30 per

According to those who follow charts, the market is poised at a critical turning point. Any deci-sive move out of the current trading range could see yields fall to a low of 8.5 per cent or a high of

10 per cent.

The "confluence of the spheres" suggest the Budget and its aftermath may just mark this turning point.

It is generally conceded that the market is currently supported by an extremely positive technical position — that is, little need to issue glits because of the outlook for the public sector borrowing requirement - but is faced with an equally uncertain economic background. Hence the importance of the Budget.

Mr Lawson has only one chance a year to get the Budget right and this year, more than most, the market is on tenter

The events of last week, how-ever, demonstrated once again the extent to which government policy is finely balanced. The truly awful trade figures underlined, if perhaps overstated, the bearish outlook for UK trade and

Paradoxically, the need for the Bank of England to sell sterling in the foreign exchanges to cap the pound at DM3 threw into

est rate/exchange rate dilemma. The Government's twin policy aims of restricting growth in credit demand while pursuing ige rate stability is increasingly becoming unworkable. Only one of the variables can be

controlled, not both.

This is well understood in the Bank, which admits that attempting to control credit, especially personal sector credit, through iscreet 1₂ point movements in ase rates does not work.

The Bank would like base rates higher, but the failure of the market to sell sterling in the face of last Monday's bad trade numbers and a declining oil price robbed it

exchange rate policy is, perits objectives - policy is symmetrical, DM3 is the top and the bot tom is not far below - that for most foreign investors sterling is

seen as a one-way bet. The interest rate differentials, especially those with the German markets, have made the pound a de facto D-Mark, and therefore investment in sterling instru-

ments money for jam.
Only when the dollar is side lined, as it has been for the last week and possibly this week, does the Bank have to work to keep sterling from breaking out

But the longer periods of relative calm have been overshadowed by the shorter but more costly periods of activity. To date the cost, in terms of the need to

On Friday alone, the Bank had to issue nearly film in its successful attempt to keep the pound from breaching the DM3 ceiling. With the outlook for funding so bullish, the Bank would appear to have little diffi-culty in sterilising the effects on the money supply of this inter-vention through sales of gifts. But is this the way to run a mon-

etary policy?
At best its activities are a success of a qualified sort. The argument for maintaining current policy is that it affords industrialists a degree of certainty when planning future business deals. To let the pound go could see it rise to DM3.20 only to fall to DM2.80. In addition, by maintaining the pound at a near fixed-rate against the D-Mark through time gives an anti-inflationary bias to

exchange rate policy.

However, the Bank's largescale intervention is costly in terms of domestic monetary policy - it has short-run destabilis-ing effects on the monetary aggregates and leads to the long-term funding of what could be only short-term capital flows.

The view in foreign exchange markets is that sterling could easily rise by 10 to 20 pfens the Government relaxes its policy. This would certainly confirm anti-inflationary signal the

Simon Holberton

US MONEY AND CREDIT

Jobs boom boosts economic forecasts

NEWS OF a startling surge in job creation last month broke on an unsuspecting Wall Street on Friday, driving down bond prices by two points and banishing any limit the fourth quarter.

The addition of 513,000 people stocks are being whittled down to to US payrolis, two-and-a-half the point that General Motors for times the number forecast, also one was able to announce last did wonders for employment week an increase in production.

suspicious aspects were quickly identified, there was no arguing with the upward trend. "This is a major shift in bond market psychology," said Mr David Jones, chief economist of Aubrey G. But stronger growth also means that the Federal Reserve Board "will go out of its way not to charte its rollier." Mr Leves

Given that some economists would only drag growth down to a 0.5 per cent annual rate for the period. After subsequently raising his estimate several times, he more optimistic Fed. In his mid-

Earlier indications of strength Fed's chairman, said he was had come from good February expecting the economy to grow car sales and January's factory between 2 per cent and 2.5 per

gering fears of an economic slow-down in the first half of this year. Detroit has had to offer costly buying incentives but at least

practices in financial districts. The recent trend has encour-The air seemed alive with the clatter of computer and calcula-economist of First Fidelity Bantor keys as economists hastly corporation, to lift his first-quarupgraded their forecasts of US ter growth forecast to 2.5 per cent economic growth rates.

Although the job data were probably too good to believe and second half. Considering eco-

Given that some economists to change its policy. Mr Levey had begun the year with fore- added. The 0.15 per cent jump in casts of negative first-quarter yields on Friday showed that growth, Mr Jones had been rela-most investors had given up hope tively cheerful to suggest that a for now that the next move in

pushed it up to 2 per cent on year report to Congress late last Friday.

The pushed it up to 2 per cent on year report to Congress late last month, Mr Alan Greenspan, the

cent this year in real terms. Did he know something Wall Street did not until Friday? Perhaps he had analysed those

fourth-quarter inventory figures more closely than the market, suggested Mr Jones. After all, he had built his reputation on his deep understanding of the uitty gritty of the manufacturing sector. "He's a very good inventories man."

The employment figures left many economists puzzled, though, about the true level of job creation. Clear candidates for subsequent downward revision were the 100,000 newly employed people in construction and 110,000 in retailing.

sites after bad weather in Janu-

A hig jump in retailing employ-ment is a mystery since depart-ment stores reported weak to lower sales in February. Mr Bob The hig increase in the number Nomura Securities in New York, argued that employment levels show up in other economic statis-were in fact a lagging economic tics for February in coming indicator. Most people were hired weeks. The first evidence will once the work was clearly identionce the work was clearly identi-come this Friday with the release fied rather than in anticipation of of February's retail sales figures.

February's figures had several

less encouraging elements, such as a negligible increase in weekly factory sernings. The creation of 51 economists it surveyed, with 513,000 jobs "doesn't mean the economy is all that healthy."

Although the employment figures showed that the economy per cent. Retail sales had grown was expanding, the matiets gut a more pessimistic longer-term per cent in December.

reading of prospects on Tuesday from January's index of Leading Recognic Indicators. The index slipped 0.6 per cent, against forecasts of 0.4 per cent, but nobody seemed particularly worried. On the positive side, the worried. On the positive side, the Becember level was revised to a gain of 0.5 per cent. The index cent tall, breaking the pattern of four consecutive falling months, which is considered by account to the positive falling months, which is considered by account to the positive falling months, which is considered by account to the positive falling to account the positive side, the positive si

"Four months in a row is ary, since the overall picture for stupid rule," said Mr Brusca. struction is weak. Sales of You need to look for a cumulanew single family homes, for tive decline of say 5 per cent over example, fell in January by 9 per six months. We're only down sixcent to their lowest level since tenths of 1 per cent over the last six months."

Brusca, chief economist of of people employed is likely to have a knock on effect which will

> Money Market Services of Redwood City, California, says a 0.7 per cent growth in sales in Febru-ary is the consensus forecast of per cent in December.

The only other key figure due out this week is February's producer price index, also on Friday. A rise of 0.3 per cent is the con-sensus forecast, with estimates

Bank issue ends long German lull

DEUTSCHE Genessenschafts-bank (DG Bank) has broken a five-month hill in West Germany with the country's first new equity flotation since October's stock market crash - the sale of a

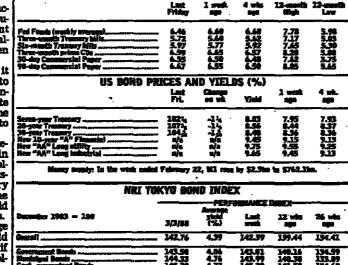
24.9 per cent stake in Deutsche Verkehrs-Kredit-Bank (DVKB). The deal, which is being co-led by Dresdner Bank, also marks a further step in the Boam Government's privatisation programme That has been delayed since last year's foreign exchange scandal at Volkswagen, and the subsequent collapse in share prices. DVKB is the in-house bank of the Bundeshahn, the federal rail-way system, and has 14 branches and 52 foreign exchange offices in principal German railway stations. The Frankfurt-based bank had total assets of DM5.2bn

(\$3.07bn) in 1986. The price for the issue, involving 373,500 shares, will not be set until March 11. However, analysts expect an issue price of between DM150 and DM160 a

share, resulting in the deal raising around DM58m.

The issue will be placed between March 16 and 18. About 75,000 shares are being sold to an unnamed long-term institutional investor, while a further 186,000 are being reserved for DVKB and

POLLY



US MONEY MARKET RATES (%)

This announcement appears as a matter of record only.

February 23, 1988

\$5,000,000,000



Eastman Kodak Company

Revolving Credit Facility

Funds Provided by

Bankers Trust Company

Algemene Bank Nederland N.V. Bank of America National Trust & Savings Association Banque Nationale de Paris Canadian Imperial Bank of Commerce Commerzbank Aktiengesellschaft Crédit Lyomnais Deutsche Bank AG Dresdner Bank AG The Fuji Bank, Limited The Industrial Bank of Japan, Limited Société Générale Lloyds Bank plc The Mitsubishi Bank, Ltd. The Sumitomo Trust & Banking Co., Ltd. The Sumitomo Bank, Limited The Tokai Bank, Limited Westpac Banking Corporation The Toronto-Dominion Bank

Bankers Trust Company

10,000 in retailing. four consecutive falling months,
The former were probably which is considered by some as a
kewed by a return to building sign of impending recession. Haig Simonian Roderick Oram FT/AIBD INTERNATIONAL BOND SERVICE US SOLIAR STRUMENTS ABBI BANK 8" 11. ACTRA LIFE & CES 7% 16. AIFC 05.518. 13% 44. ALBERTA 7" 91. ALCOM AUSTRALIA 11.92. AUSTRA 111. 90. EUROPIANA 5-5 92.

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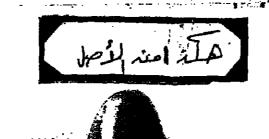
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INTERNATIONAL CAPITAL MARKETS AND COMPANIES



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Philippe Maystadt: appeal to takeover rivals

Government plea on La Générale

BELGIUM'S caretaker Govern-ment has urged Mr Carlo De Benedetti, the Italian entrepre-neur, and his rivals to end a fierce battle for control of Société Générale de Belgique, the country's biggest company, and negotiate a strategy for its future, Reuter reports from Brussels. In a letter to protagonists in the six-week struggle, Mr Phi-lippe Maystalt, Economic Affairs Minister, said the Government would take action needed to pro-

tect Belgium's strategic interests.
The appeal was the Government's first direct intervention in the fight for La Générale, which the ignt for La Generale, which dominates the energy sector and other key areas of the economy. It coincided with a stinging attack by Mr René Lamy, La Générale's embattled governor, on what he called Belgium's disorganisation and lack of national architical leadaching.

ganisation and lack of national political leadership.

"The tragedy of La Générale de Belgique is (representative of) Belgium's decay," he told a Brussels newspaper. Belgium has been without a full-fledged Government since the centre-right coalition of Mr Wilfried Martens, prime Minister collapsed last Prime Minister, collapsed last

The letter appeared to reflect growing impatience in the Gov-ernment at the failure of the rival groups fighting for control of La

Générale to start serious negotia-tions, despite calls for talks by people in both camps.

Mr Maystadt said Mr De Bene-detti and Suez, the French finan-cial group which leads the rival alliance of companies, were both needed to get an accord on an industrial development strategy for La Générale backed by a hig majority of shareholders.

Government wanted Belgian partners in both camps to be given an important role in the proposed talks, Mr Maystadt

Statoil to gain divisions in reshape

ished within a fully-integrated autocratic leader for 15 years, company.

Mr Jan Erik Langangen, board

Statoll has been accused of covered was to be modelled on the structure of other large international oil companies. He said Statoll and government officials. The had 11,000 employees within six mew board has written to Mr Arne Ocien, Norway's Oil Minister and of November, has been re-examing the paper on Statoll's reshape is likely to be presented on its market paper on Statoll's reshape is likely to be presented on the Storting (parliament) by March 31 set by Himont for affirmation of its participation in the We will not see too many deviations from the board's property of directors, appointed at the end of November, has been re-examine the system of reporting for November, has been re-examined the project when it reported on its than the structure following in the Storting (parliament) by March 31 set by Himont for affirmation of its participation in that we will not see too many deviations from the board's property of directors, appointed at the end of November, has been re-examined the project when it reported on its than the Storting (parliament) by March 31 set by Himont, a world leader in petrochemical production.

The Norwegian group said it could not meet the target date of in the Storting (parliament) by March 31 set by Himont for affirmation of its participation in that we will not see too many deviations from the board's property of the projects when it reported on its the Storting (parliament) by March 31 set by Himont, a world leader in petrochemical production.

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STATOIL, Norway's state oil revelations of a large budget company, plans a radical restruovershoot on the NKr6.4bn (Atbn)
isons — exploration and production, marketing and refining; and
isons — exploration and production, marketing and refining; and
petrochemicals — will be established within a fully-integrated autocratic leader for 15 years, and the previous board.

Statoil has been accused of coverage with the control of the resignation of th

Printemps bids for La Redoute

AU PRINTEMPS, the French ally reduced its stake but is Besides its flagship stores in department store group, has expected to retain the 12 per cent Boulevard Haussmann in Paris amounced a limited bid for La it now controls. Société Générale, and a chain of other department the mail order special the recently privatised bank, stores under its own name, Prisit, aimed at taking its stake in owns nearly 15 per cent of La temps owns the Prisunic supermarket chain. It has also built up

ist, aimed at taking its stake in the company to 50.01 per cent.

The hid, whose terms have not yet been disclosed, is viewed as friendly by La Redoute. Printengs, aid the deal would give his company's major shareholder since Decamber, when it increased its bolding to 32.09 per cent, and has four seats on La Redoute's board.

The Pollet family, which founded La Redoute, has gradu
owns nearly 15 per cent of La temps owns the Prisumic supermarket chain. It has also built up a 44 per cent stake in the Euromany industrial group with interests in rubber and plastics, reported a strong increase in profits and sales last year due almost retailing interests and has developed in the Swediah metals and interests and has developed in the Swediah metals and trading chemicals and trading concern.

At Friday's price of FF12.180 a share—down 40 per cent from groups capable of competing with the British and German chains on a European scale.

Declining exports leave Heineken earnings flat

BY OUR FRANCIAL STAFF

HEINEKEN, THE Dutch brewer, brands from other countries, as reported flat earnings for 1987 as net profits inched up to FI 286.7m (\$151.6m) from FI 285.3m in 1986.
Earnings per share edged higher to FI 11.16 from FI 11.11 the pre-SISL6m) from Fl 285.3m in 1966.
Sarnings per share edged higher operating units had higher sales operating units had higher sales last year. But in guilder terms, worldwide sales crept up to The sluggish profit developerating units had higher sales operating units had higher sales operating units had higher sales operating units had higher sales of Fl 6.65 m. But in guilder terms, worldwide sales crept up to Fl 6.65 m. a year

ment in 1987 was in large part attributable to the negative effects of declining exports and losses on the translation of foreign currency revenues to the share. strong guilder.

Dome takeover 'urgent' after C\$401m loss

DOME PETROLEUM'S financial

because of persistent low oil and gas prices, and the conclusion this spring of the US\$5.2bm take-over by Amoco Petroleum Can-ada is urgent, Mr Howard Mac-donald, chairman of the The company is maintaining its annual dividend for 1987 at the year-earlier level of FI 3.50 a

donaid, chairman of the Canadian energy group, said.

Dome posted an operating net loss of C\$40im (US\$20.8m) for 1967, against a deficit of C\$2.19bn in 1966. Oil and gas properties were written down by C\$346m last year, against C\$2bn in 1986.

After a special gain of C\$88m, Dome's final loss for 1987 was Next year, Mr Alfred Heineken, the last member of the founding ter than analysts' previous projections.

Because the US is one of Heineken, the depressed dollar was an important factor. Analysis also noted that Heineken share of the US

"Freddy" Heineken has headed the company since the early ket advances made by beer

Next year, Mr Alfred Heineken, the founding the founding the founding still in the business, will step down the founding the family still in the business, will step down. This has led to some speculation that the Heineken as special gain of C\$8an, Dome's final loss for 1987 was C\$318m or 96 cents a share, against a loss equalling C\$6.94 a share in 1986. Oil and gas properties the loove from increasing its product prices in the domestic market as costs rose. Order intake picked up in the last eight mouths of 1987 and the current year has started with a better order backlog. The group is forecasting a 35 per cent increase in profit to SKr1.2bn for 1988.

Boliden boosts earnings at Trelleborg

TRELLEBORG, the Swedish

Group profits, before extraordinary items and tax and after minority shares, totalled SK1985m (\$149.4m) in 1987, compared with SK1304m in 1986. The board proposed increasing the dividend from SK12 to SK14.

Mr Rune Andersson, managing director, said that of the SKr855m profit, the traditional Trelleborg rubber and plastics operations accounted for about SKr300m SKr600m.

Similarly, when looking at group sales, which increased from SKr2.84bn in 1986 to SKr17.22bn last year, Boliden contributed SKr13.5bn and Trellebors SKr3.7bn borg SKr3.7bn.
Mr Andersson said the flat

profits for the traditional rubber and plastics operations resulted from the poor order intake at the start of 1987 and the price freeze

	NEW I	NTERN	IATION	IAL BO)ND I	SSUES	
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Nippon Sausett	100	1993	5	412	100	Yamalchi Int.(Eur)	4.500
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State Bk Sth Australia	75	1995	7	10	101%	Deutsche Bk Cap.Mkts	9.620
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Union Bk of Merway	50	1993	5	134	1013	WestLB	12.597
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lisamits¤ Pharm.★★§∳	90	1993 1993	-	1%	100	SBC	0.750
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Multiple Option Facility

Credit Suisse First Boston Limited

Co-Lead Manager

Credit Suisse

Société Générale

Arab Banking Corporation (ABC)

Banque Nationale de Paris London Branch

Commerzbank Aktiengesellschaft **Mellon Bank**

Crédit du Nord The Mitsui Bank, Limited

Rabobank Nederland

Banco de Bilbao S.A.

Cassa di Risparmio delle Provincie Lombarde---CARIPLO Dresdner Bank Aktiengeseilschaft London Branch

Al Sandi Banque

Crédit Lyonnais London Branch NMB Bank London Branch

The Sanwa Bank, Limited

Additional Tender Panel Member:

The Toyo Trust and Banking Company, Limited

Facility and Tender Agent **Credit Suisse First Boston Limited** **NEW ISSUE**

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MARCH 1988

U.S. \$200,000,000



Export Development Corporation

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Macarthy contacts 9,000 retail chemists in UniChem battle

and UniChem escalated over the weekend with Macarthy appealing over the heads of the Uni-chem board to the friendly society's retailer members.

he, the company nor its advisers had yet received any writ.

At the heart of the dispute is a UniChem scheme which offers

Macariby announced last retailers - in return for extra month that it had made a £71m business - bonus shares when takeover approach to UniChem the friendly society goes public in Unichem has refused to give much concern amongst Uni-Macarthy a list of its members so Macarthy has therefore sent out rival, AAH, has alleged that the a letter to 9,000 independent plan is in breach of several laws retail pharmacists setting out the and has asked the Department of as the advantages of a merger Office of Fair Trading to investi-

the missive is an attached form which Macarthy saks chemists to return. The form calls man the comportunity of the opportunity return. The form calls upon the italise on the substantial asset UniChem board to enter into which has been built up in Uni negotiations with Macarthy and Chem now without ... the enorto convene an extraordinary mous uncertainties inherent in meeting at which members can the UniChem board's recently vote on the merger proposal. vote on the merger proposal.

THE battle between Macarthy, with statements made about the pharmaceutical wholesaler, their recent takeover talks. Mr their recent takeover talks. Mr Dodd said yesterday that neither

which the latter's board rebuffed. 1990. This scheme has caused Chem's competitors and one terms of its offer and what it sees Trade and Industry and the

The letter also says that Macar-immediately attacked the letter thy has issued a writ for libel claiming that it failed to set out against UniChem, Mr Peter Dodd, the full terms of the offer which, its chief executive, and its public it maintains, "grossly underval relations advisers in connection use" the company.

Allied Rests 21% growth

In the 24 weeks to January 2 1988, The company now operates a Allied Restaurants lifted its turn-over by 49 per cent to £5.7m and under franchise from Wimpey, pre-tax profit by 21 per cent, from and also announces the acquisi-£305,000 to £370,000. The company tion of its first entertainment

via a placing.
Mr Richard Carr, chairman,

joined the USM last November complex - The Mariner in Poole via a placing.

Profit attributable worked said customer flow continued to through at \$220,000 (£180,000) for increase and he was confident of earnings of 2.8p (2.4p) per share. a successful result for the year. The interim dividend is 0.5p.

Bolton Textile loss cut midterm

In the half year ended October 31 tered severe competition and 1987 Bolton Textile Mill made pressure on margins, and fin-progress towards a return to prof- ished with a loss of £586,000. progress towards a result of itability by reducing its loss from

itability by reducing its loss from \$157,000 to \$22,000.

Turnover came to \$23.8m (\$23.5m). Loss per share worked through at 0.48p (1.71p). In the sex clustve distribution rights year 1986-87 the group encoun-

WCRS in talks

WCRS, the advertising and man keting services group, confirmed yesterday that it was discussing the acquisition of a 50 per cent

Irish Glass

Additional costs towards ration alisation have hit the results of Irish Glass For the half year ended December 29 1987 operatstake in SGGMD, the French ing profit moved ahead from media buying group. SGGMD had turnover of FF 5.5bn last year.

No details of consideration have yet been revealed.

No details of consideration have yet been revealed.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not evallable as to whether the dividends are interiors or finals and the sub-divisions shown below are based mainly on last year's time-tables.

General **Portfolio** plans SE listing

By Philip Coggan

General Portfolio Group, a life assurance company, is plan-ning a listing on the stock market "within three years" and possibly in the next 18 months.

The group announced its intention to float in the prospectus for a £29m private placing designed to reduce its bor-rowings and provide capital to establish a residential mortgage lending operation. General Portfolio's origins lie in a life assurance broker-

age established in 1964 by Mr Vincent Isaacs, currently the chairman and chief executive.
The brokerage acquired GPLI, a small life assurance company, in 1874 and gradually built up its business adding two direct sales organisations, GHIA and FPS in recent years. As a result, General Portfo-lio now has a direct sales net-work of over 3,100 agents, who bring in around 95 per cent of its regular premium income. When the Financial Services

Act rules on "polarisation" come into force, the sales network will only be allowed to sell General Portfolio prod-The company has recently expanded into personal pension plans and mortgage policies and it hopes to exploit its sales network by widening its range of financial services products over the next few

Commissions generated have commissions generated have increased from £5.15m in 1884 to an annualised £23.3m in 1987 and at June 30 last year, the group was responsible for policyholders' funds of around £120m

E120m.
The private placing, arranged by CI-Alexanders Laing & Cruickshank, values the group at just under £80m. Exactly 20m shares, 37 percent of the enlarged equity, have been placed at 147p each. The company does not intend to pay any dividends in respect of the financial years 1987/8 and 1988/9. and 1988/9.

Mecca Leisure

A promising start had been made by Mecca Leisure Group in the current year and it was looking forward to further growth with great confidence.

FT Share Service

The following securities were added to the Share Informa-tion Service in Saturday's edi-

(Section: Trusts, Finance, Consolidated at USM quoted Greenwich Com-General Income, Capital & Stepped Preference Shares(Investment

Atlantic Securities Trust

David Waller charts the recovery and growth prospects of Blackwood Hodge

More frustration on the UK front

WITH THE pace, if not quite the tor and who is now managing power, of one of the 200-ton director, is credited with saving dump-trucks it sells, Blackwood the company by means of a sav-Hodge has over the last four the company by means of a sav-years crawled its way back from the disposal of all non-core businesses. the brink of extinction.

In 1983, the company made an shareholders' funds, and its mar-

the current year. For the world's largest distributor of earthmoving, construction and mining equipment; the US and in the UK.

A build-up of profits tion and mining equipment, the A build-up of profits in the UK result will furnish further evi-was considered desirable in order

equipment necessary to build the company a problem with hydroelectric dams, lay down unrelieved Advance Corporation motorways and dig up vast mineral resources. In the late seventies, it failed to realise oil price restricted as a result. ties, it falled to realise oil price restricted as a result.

rises would mean the end of the infrastructure bonanza, and it deemed sensible in that it represented the present decade sented the largest market for conseverely overstocked and heavily struction equipment in the world indebted.

Mr Ken Scoble, the Scottish total – and one which only his-accountant who arrived at the torical accident had prevented company in 1983 as finance direc-BH from entering in the first-

Erskine House Group, the rap-idly expanding office equipment company, has bought two busi-nesses which specialise in office

machine sales and servicing, for a maximum of about £6.8m.

The group announced the acquisition of Talbographic

Systems, Leicester-based copier and fax 'dealer, for an initial \$2.75m, funded by a vendor placing. In addition, Erskine House has bought Standard Copier

Machines (SCMI) of Baltimore, US, which sells and services

Ricoh office equipment, for an initial \$3.92m (£2.2m), also financed by a vendor placing.

Further payments up to a total of 53m in shares for Talbographic

and \$6.7m in cash for SCMT depend on future profits.

Talbographic made £230,000

before tax in the year to May 31 1987, while SCMI made pre-tax profits before exceptional items of \$272,000 for the year to June 30

Greenwich Comm

A number of factors have con-

tributed to a sharp decline from a profit of £18,000 to a £1.18m loss

August 31 1987, Losses per share increased from 1.1p to 18.8p.

Erskine

House £7m

expansion

The immediate effect was to attributable loss of more than cut borrowings and the interest 230m; its debts stood at twice bill — which for the four years shareholders funds, and its marbet capitalisation had dwindled matched or eclipsed the com-to less than £6m. Early next pany's operating profits. BH, month, it is expected to report therefore, avoided an inglorious pre-tax profits of £12½m for 1987 and at the hands of its bankers and is on course for \$16m in but for operating growth, rather than mere survival, Mr Scobie for the world's largest distribulanced to make acquisitions in

dence that the consequences of a to reduce the group's dependence severe downturn in demand for on those overseas. Quite apart its gargantuan diggers, excava- from exposing the company to tors and scrapers have at last the vagaries of currency fluctua-been tackled. BH had prospered in the post-war decades when it supplied the and the source of earnings, the developing nations with the reliance on foreign markets gave

meth Scobie: credited with saving the company.

In June 1986, BH tried to make its move in the UK with what turned out to be an abortive attempt to act as a white knight in the bid battle for Benford Concrete Machinery, a manufactur-ing company. In the event, BH's £19.5m bid was beaten by BM Group the construction industry supplier controlled by C.H. Bearer, the acquisitive house-builder.

To this day, BH's ambitions in the UK have been frustrated and, according to Mr Scobie, approxi-mately 85 per cent of current year turnover will come from

PENDING DIVIDENDS

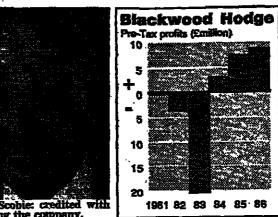
Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus ") have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Full Colour Residential

Property Advertising

APPEARS EVERY SATURDAY

Rate £40 per Single Column Centimetre.



1981 82 83 84 85 86 By contrast, BH has been succassful in its plans to diversify into the US, spending some \$56m on four distributorships which will add more than \$100m to group turnover. In each case, BH acts for Komatsu, the Japanese rival to the US company, Cater-

This is because the association facturers cannot be regarded as with the US was bad news for BH's share price in the immediate aftermath of crash, when its valuant efforts, the future for BH

thirds. Although they have outperformed the market by nearly 40 per cent since the beginning of December, they have a lowly rating, trading at only six or seven

times current year earnings. At this level, BH cannot make a large acquisition for paper without causing substantial earn-ings dilution. The three or four target purchases identified precrash are now sitting on the back-burner, all action shelved until the shares climb back to a

more favourable rating. Quite apart from the strategic impasse created by the rating, BH's growth will inevitable be hampered by its role as a distributor of mainly heavy equipment Customers now prefer smaller, more efficient machines which need to be replaced less frequently and require less mainte-nance. It is doubtful whether a company such as BH, with its international capabilities, is in a position to offer any better a ser-

vice than a good local distributor. Moreover the manufacturing Ironically the US acquisitions side of the industry is in a state

– all but one of which were of disarray induced by years of
made before Black Monday – fierce competition in a stagnant now look as though they are frus- market. The resulting restructurtrating plans to buy a large ing breeds change and insecurity.

(ESOm-2100m) UK company. In short, BH's ties to the manu-

shares tumbled by nearly two- is still shrouded in uncertainty.

Transcontinental modifies its hedging strategy

BY DOMINIQUE JACKSON Transcontinental Services

Group, investment holding com-pany, said it would no longer con-tinue to hedge against the company's exposure to non-sterling currencies, in particular the US

The directors' decided to modify the company's hedging strategy because a majority of the company's share capital was held by shareholders other than UK individuals or institutions.

Transcontinental also said that its accounts, which have been drawn up in sterling for the last two years, would be presented in US dollars and in accordance with US accounting standards for the financial year ending March

Accounts prepared in accordance with UK accounting standards would be included as supplementary information.



Shareholders' Meeting NOTICE IS GIVEN that the Annual General Meeting of Shareholders of the Company will be held at the Promenade Hotal, I van Stolkweg, The Hague, The Netherlands at 11.00 a.m. on Wednesday, 23rd March, 1988.

Opening.

Annual report of the Board of Management.

Approval of the Accounts for 1987, including the proposed remuneration of the Supervisory Board and the proposed dividend per share of Df. 8, in cash, together with a 2% boms issue to be charged to the nex-exampted share premium reserve.

Apprintment of a Member of the Board of Management. The meeting of the projects sharing removes the appointment as

meeting of the priority shareholders proposes the appor a Member of the Board of Management of Waraldhave -j. w. van der Made
Appointment of Members of the Supervisory Board. In accordance
with article 15, par. 1 of the Articles of Association the following
members of the Supervisory Board are to retire by rotation:
J.M.G. Hoes
DI Vinland

I.M.C. NOWS
P.J. Vinicen
Messys. Hoes and Vinkan are eligible for re-election.
The meeting of priority shareholders proposes the appointment of LM.G. Hoes
- [.A.E. Koning
P.J. Vinicen
Ouestions before closure of meeting.

Shareholders' Rights

Shareholders' Kilghts

Shareholders and usufructuraries with voting rights who wish to attend the meeting have to deposit their shares or deposit receipts from a member of the Vereniging voor de Effectenhandel ('Association of Members of the Amsterdam Stock Enchappe') on or before 18th March, 1958 at the office of the company, 23 Nassankan, The Hague or at the offices of Pierson, Heldring & Pierson N.V., Algemene Bank Nedealand N.V., Cobperatione Central Raiffeisen-Boerenieenhank B.A., Bank Mees & Hope N.V., Credit Lyomais Bank Nederland N.V., Kempen & Co. N.V. In Amsterdam, Rotterdam and Utrecht, for so far as there established, or at the offices of Mongan Orenfell & Co. Limited, New Issues Department, 72 London Wall, London EC2M SNL, where arrangements may also be made for voting by proxy. made for voting by proxy.

Annual Report 1987 Copies of the Annual Report (in English) may be obtained in the United Kingdom from Morgan Grenfell & Co. Limited, New Issues Department, 72 London Wall, London EC2M SNL or from House Govet Limited, Group Library, 4 Broedgate, London EC2M TLE on or after 7th March, 1968.

The Hague, 7th March, 1968

By order of the Supervisory Board

CHANGE OF ADDRESS

AS FROM MONDAY 7 MARCH 1988

JACOBSON TOWNSLEY & CO 44 WORSHIP STREET LONDON ECZA 2JT TELEPHONE 01 377 6161 TELEX 888948 FAX 01 375 1380 MEMBERS OF THE STOCK EXCHANGE

Notice of Annual General Meeting

Notice is hereby given to the shareholders of Nokia Corporation (the "Company") of the Annual General Meeting ("AGM") to be held on Wednesday, 23rd March, 1988 at 3.00 p.m. at The Helsinid Fair Centre, Congress Wing, Congress Hall C 1, Rautatielälsenkatu 3, Helsiniki, Finland. The following matters will be on the agenda for the meeting:

 The matters specified in Anticle 12 of the Articles of Association, as follows:

 a) review of the annual accounts, comprising the Profit and Loss Account, the Balance Sheet,
 the Annual Report of the Board of Directors and the Consolidated Accounts;

 b) review of the Auditors' Report

c) review of the Supervisory Board's statement concerning the above; d) approval of the Profit and Loss Account, the Balance Sheet, the Group Profit and Loss Account and the Group Balance Sheet; e) decision on any measures to which the profit or loss shown in the approved Balance > set or

Group Balance Sheet may give rise; decision on discharging the members of the Board of Directors and the President from liability; g) decision on the number of members to serve on the Supervisory Board and the number of

h) decision on the remuneration to be paid to the members of the Supervisory Board and to the auditors; i) appointment of members to replace those resigning from the Supervisory Board; and

j) appointment of the auditors and the deputy auditors.

2. Holiming Cy's claim (disputed by the Company) that the Supervisory Board and/or the Board of Directors be obliged to take appropriate measures to transfer to Salora Oy:

1) the shares in Luxor AB acquired by Nokia Corporation from the Kingdom of Sweden for a consideration of approximately FilM 4.3 million;

2) the loans convertible into shares amounting to SEK 20.4 million issued by Luxor AB to Nokia

Corporation; 3) the shares of Oceanic S.A. and of the other companies in the television inclustry that Nokia

Corporation has acquired in France; and 4) the businesses of Standard Elektrik Lorenz AG that Nokia Corporation has acquired in the Federal Republic of Germany.

The accounts for the 1987 financial year will be on display from 16th March, 1988 at the Company's Head Office at Mikonkatu 15A, Helsinki, Finland, and at the offices of Enskilda Securities, Skandinaviska Enskilda Limited at 26 Finsbury Square, London EC2A 1DS. Copies of the accounts and the proposal in Finnish, Swedish and English will be sent to shareholders upon request to the Registrar. Copies of these documents will also be available on request from Enskilda Securities. Copies of the full Annual Report will be available from Enskilda Securities. from 21st March, 1988.

Registered shareholders who wish to exercise their voting rights at the AGM must give notice to the Company of their intention to attend not later than 10th February, 1988. Notice may be given to the Shareholders' Registrar in person at the Head Office of the Company during office hours, or by telephone (358) 0 1807 390, or in writing to the Shareholders' Registrar, Nokia Corporation, P.O. Box 226, SF-00101, Helsinki, Finland. Written notice should arrive no later than 21st March, 1988.

Hetsinki, March 1988 Supervisory Board of Nokia Corporation

Financial Highlights 1987 UP : 1987 Sales £672.6m £553.2m 22% £41.2m £26.6m Pre-tax profits Earnings per Share 10.2p 15.0p Ordinary Dividend 60% 4.0p 2.5p Gearing reduced to 29% "1987 was a good year for the Group.

Growth in both profits and earnings per share was achieved in spite of adverse currency movements.

A strong cash flow improved the balance sheet. The management team will continue to make further

progress in 1988 exploiting the many opportunities that will arise."

P.O. Box 20, Cledification, West Yorkshire, BD19 GHP

The British based international company with interests in, Audiotoff Textiles and Engineering.



		FINA	NCIAL	TIME	STO	K IND	ICES			
. " :'	Mar.	Feb.	Feb. 2	Feb.	Feb. 29	F±s. 26	illgh	87/88 Low	Since Cor High	noilation Low
Government Secs				90.47	90.26	90.03	93,32	83,73	127.4	49.18
Fixed laterest	96.72		96,47	96.55	96.43	95.79	99.12	90,23	105.4	50.53
Ordinary	1478.7	1463.6	1467.9	1439.1	1429,5	1423.7	1926.2	1232.0	1926.2	49.4
Gold Mises	239.7	. 241.8	241.A	238.6	234.0	244.9	497.5	234.0	734.7	43.5
FT-Act All Share	939_34	928.76	925.98	914.24	908.68	907.47	1238.57	784,81	1238.57	61.92
FT-SE 100	1834.5	1813.3	1808.7	1781.9	1768.8	1766.	2443.4	1565.2	2443,4	986.9
10 Jan 19 19 19 19 19 19 19 19 19 19 19 19 19										

Marian Maria

ital mode

rategy

ing them together the company is on the brink of creating a marketing advantage that other retailers may find hard to match.

The system it is creating will enable it not only to design each of its nearly 400 stores quickly and for maximised profitability but also to rejig stores to exploit every square metre in each store to the full.

It has committed 2250,000 over the

next 12 months to forging a link between Epos and CAD. Experts agree that if WHS can successfully link the two systems — and technically there seems no reason why it should not — it will have pulled off a spectacular

conp.

At its most graphic, the system will enable WHS strategists to create, on a computer terminal screen, a three dimensional image of the interior of any of their 365 UK stores. They will be able to alter the internal design at will, seeking the best positions for bookshelves and record bins.

They will be able to create images of customers - men, women and chil-dren - browsing through the mer-chandise. They will be able to analyse how their electronic doppelgangers "see" and are attracted to the goods on display. A child, after all, has a physi-cally different viewpoint from an adult as does a man from a woman.

If that was all WHS could do, it would be remarkable but not sensational; designers and architects can

use computers to produce stunning graphics routinely these days.

But it will also be able, through a "bridge" to its Epos system, to incorporate the value of every product line into its electronic investigation. into its electronic images. It will be able to attach a "selling value" to every square metre of the interior of its stores, allowing it to maximise its use of space with a degree of accuracy

never possible before.

David Walters, co-director of the Oxford Institute of Retail Management at Templeton College, thinks that WHS is making the running in the design of the optimal store. "It is unique in the UK," he says, "and possibly in the world. It is pretty well at the leading edge of these develop-

It is certainly at the leading edge of developments in Epos, a distinction it shares with the UK's bigger food groups like Sainsbury and Argyll.

The use of Epos, whereby a com-puter based in the store records all transactions from each cash register and provides an electronic link with the company's head office computers, has revolutionised the way WHS

Store design

How every product tells a story

Alan Cane continues his series by examining the way in which W.H. Smith, the UK retailer, is using up-to-the-minute sales information to dictate the layout of its branches



works over the past few years. Jean Evans, the manager of the Holborn branch, recalls that about two years ago all stock-taking and order-ing was carried out manually on a

ree-weekly cycle. A WHS store stocks, on average, A WHS store stocks, on average, 60,000 lines of merchandise; Holborn used no less than 73 stock monitoring books to record all its inventory. (By comparison, a major food retailer like Sainsbury will have only 10-12,000 lines in stock at any one time.)

Recording changes in stock levels by hand was labour intensive ("During a bury broch time, just about every-

a busy was anour measure (lating a busy hunch time, just about every-body would be out counting stock.) Evans remembers, and therefore not serving customers.) It was tedious and prone to human error. The system gave no chie as to what was selling

Out-of-stock items could have sold out on the first day of the ordering cycle. A best-seller could be out of stock for nearly three weeks before anyone realised the missed opportu-

We were in a bind," says Colin Warwick, the retail sales director. "Each branch had to make up its own mind about what stock it would order. We had no way of knowing if the branches were operating in a manner of which we would approve. It was no way to make progress."
Essentially, WHS wanted to achieve

three objectives:
• Increased contribution to profits through better sales and better sales

Better staff utilisation through the removal of the tedium of stock counting leading to greater job satisfaction.

• Improved stock turnover — at that time, on average, it was turning stock over three, perhaps three and a half times a year. It is now up to four times

a year.

Epos was neither the only nor the cheapest option. WHS could have set up a never-ending round of telephone calls to each store to establish stock levels, or it could have "sampled" — based its stock requirements on intense investigation of a very few



It rejected these in favour of "operational Epos" — a computer in every store linked to headquarters through the company's own high speed data network, recording every stock movement and filing the results both in the branch and at the centre.

It was a courageous decision. First, Epos in the early 1980s was still in its infancy. Even today only 10 per cent of the UK's im or so cash tills are com-

Second, it was expensive and left the company prey to adverse currency movements. Over the life of the project the capital cost alone will be some £23m - mostly for US-made National

Warwick still winces when he recalls the time the dollar/sterling exchange rate fell almost to parity, forcing him to negotiate an escape clause with the equipment suppliers. Costs on that scale, he says, would have far outweighed the benefits to Third, it involved a long campaign

to persuade WHS's suppliers to mark their products with bar codes [patterns carrying product details and pos-sibly price which can be read by scan-ners attached to the Epos cash Much of the speed and convenience of Epos, WES knew, would be lost if product lines were not bar code Single-mindedly, WHS set out to convert its suppliers: "I tramped the streets persuading major publishers," Jeremy Soper, retail sales director, says. "We felt we were banging our ads against a brick wall. Then the

floodgates opened." Fourth, and most critical in Warwich's view, the move to computerise stock control involved a complete cultural change – education, training and so on. "Everybody had to learn new tricks," he says. Small scale trials in Portsmouth and Oxford led to the decision in 1985 to

put Epos into all WHS stores; now 163 of the 365 stores are equipped. Has it been successful? WHS senior managers say the project was assessed

using traditional return-on-investment methods. "And on those calculations it has been amply justified," Warwick says. WHS will not quote actual figures but he points out that at the very least there had to be a two per cant increase in gross profits to justify the

Without Epos, costs would have been more difficult to control and it would have been less easy to manage what is at present a buoyant business. WHS has no direct competitors but fights on many fronts. Warwick believes that without Epos, smaller competitors would have found it easier to cut into its overall market

Among the more colourful benefits

• Holborn branch discovered a hitherto unrealised demand for educa-tional children's books, reflecting the concerns of parents working in the

 Another branch was able, based on ● Another branch was able, based on information from the Epos system, to request Oxford University Press to reprint "Diary Of A Teenage Health Freak" in the knowledge that it would sell a further 20,000 copies.

● In the notoriously treacherous area of children's toys, WHS was able to steal a march on the competition when the system told it that "Key.

when the system told it that "Key-pers", a lock-up toy manufactured by Tonka, was selling well. Tonka was encouraged to keep that line in pro-duction and WHS made the most of the color systems.

the sales opportunity.
Computer-aided design, the second element in WHS's stores revolution depends on software developed by T-squared, a small software house based in Berkhamsted, Hertfordshire. Founded by a group of architects some 11 years ago, its software Rucaps (Really Useful Computer Aided Plan-

ning System — no connection with Andrew Lloyd-Webber) is an attempt to do for store planning what mainframe computer-aided design did for the aeronautical engineering design business. The aerospace industry pioneered CAD techniques and has

exploited them to the full.

Rucaps is used by, among others in the UK, the major stores chains, John Lewis and Littlewoods.

What makes Rucaps different is the inbuilt intelligence that takes it well beyond a conventional two or three dimensional depositional two or three dimensional draughting system; it is also a detailed file of information about the building under design. Behind every line on a Rucaps drawing, there is a single source of infor mation," says John Watta, T-squared managing director.

Richard Handover, WHS retail group development manager, saw Rucaps as a way of solving the logis-tical problems of redesigning 20 exist-ing stores and commissioning 20 new

ones each year.
Traditionally, plastic models of fixtures and fittings are moved around on a plan of the store to find the best match. Drawings are then made as the first stage in a process which might involve many lengthy alterations. Rucaps saves only a little time over the plastic models; it comes into its

own at the printing and modification stages where alterations can be made swiftly on the screen and newly printed plans despatched to the

Handover points out that WHS will begin to achieve the full benefits once it has all the historic data for its cur-

rent properties on file.

He gives the retailing of compact discs as an example. Two years ago, they were hardly in evidence anywhere. Now they require some 30 per cent of the space in WHS record departments.

Vinyl records have started to give way to tapes and videocassettes. In 1986, a five-man team took seven months to make the necessary design changes to accommodate these new products. Using Rucans, he says, the time necessary for such work could be

time necessary for such work could be cut to one month.

But the greatest benefits are expected to flow from linking information from the Epos system to the Rucaps database. Handover is already using a technique called "direct product profitability" — an elaborate formula linking the volume of sales, the margins and the store space allowed for the product, and thus indicates the relative profitability of all the company's tive profitability of all the company's product lines.

With the Epos sales information underlying the Rucaps three-dimensional image, it should be possible to design the interior of a store to make it more profitable and to alter it as trading conditions change. But that, he agrees, is for the future. For the moment Rucaps is being used to simplify the fitting out of branlike Holborn while Epos is installed to increase stock control and profitabil-

At Holborn, Evans and her staff are fervent supporters of the new regime. Has she no regrets? "Well yes. At sales time I'm embarrassed because I have so little unsold stock to dispose of. I may have to buy lines in specially. In the computerised store of tomorrow, yesterday's methods still have

1992 offers scope for consultants

BY MICHAEL SKAPINKER

ARE BRITAIN'S management consultants finally beginning to faiter after their long and trium-phant march through the country's financial institutions, retail empires and manufacturing

The Management Consultan-cles Association has, it is true, just announced that its mem fee income increased last year by 29 per cent to £294.4m. But the rise was smaller than the increases of more than 35 per cent recorded in each of the pre-

vious two years.

Jim Donaldson, the MCA's chairman, says that he expects the rate of growth in the next few years to be lower still.

Nevertheless, UK management consultants still have a lot to the creation of a single European market in 1992 is likely to be a incrative period for consultants as British companies slowly real-ise that they have some serious thinking and planning to do. The Department of Trade and

Industry Enterprise Initiative, announced earlier this year, should also help. The MCA has expressed fears that the DTI's ambitious plans might result in consulting standards being eroded. But it has welcomed the Government's announcement that over the next three years it will provide more than £250m in financial support for small busi-nesses wishing to use consulting

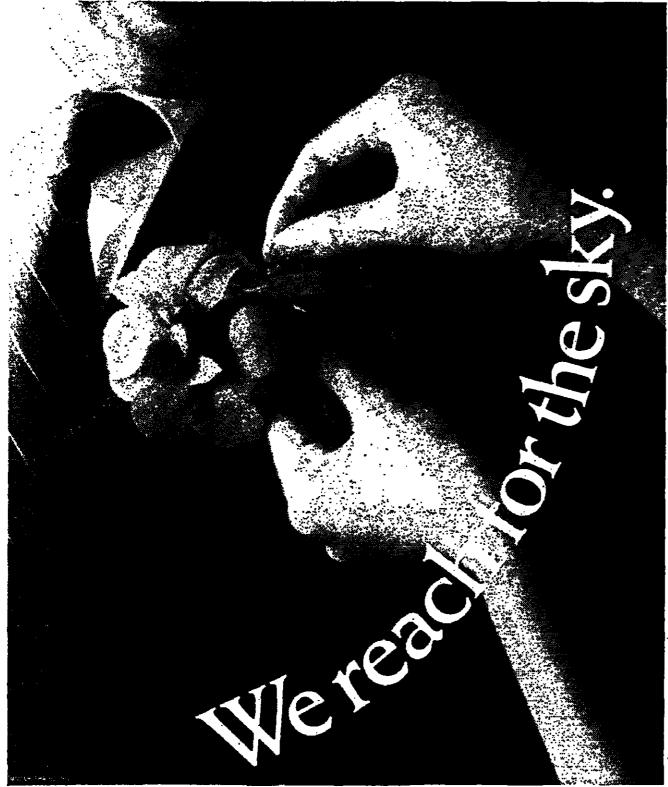
What of last October's stock market crash? Donaldson says that MCA members report that it has so far had little effect on their business.

He said, however, that consul-tants could "expect a change in the range of work we undertake in the City. There will be less frenetic effort to meet short deadlines and more to do with longer-

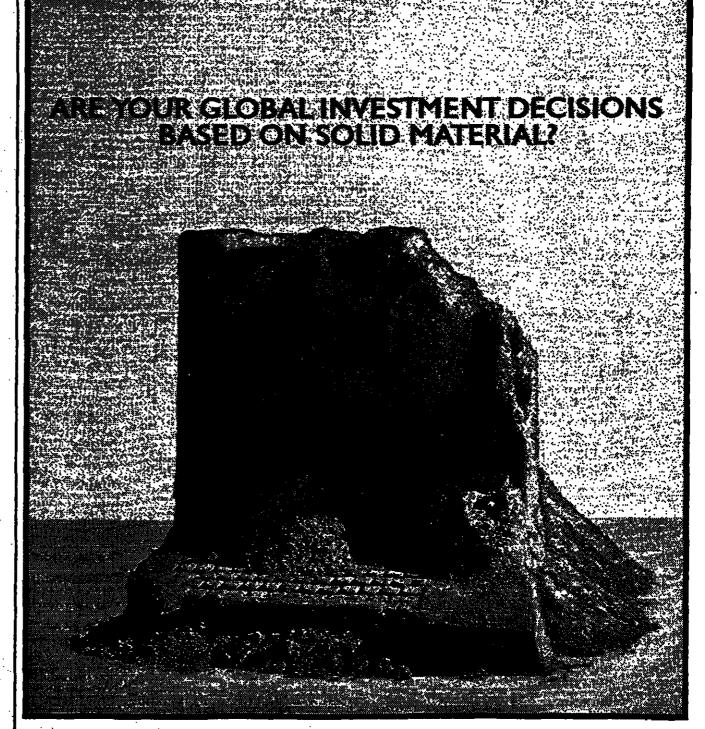
term organisation."
The MCA's figures reveal some other changes in the type of work being done by consultants. Fees from work on information technology increased by 33 per cent to £92m last year, although the rise in 1986 was 98 per cent.

The area of consulting which showed the biggest percentage increase last year was personnel management and training, where fee income increased by 85 percent to £22.6m. The second largest increase conversely in the second largest increases conversely in the second largest increases conversely in the second largest increases conversely in the second largest increases conversely in the second largest increases conversely in the second largest increases conversely in the second largest increases and the second largest increases and the second largest increases are second largest increases and the second largest increases are second largest l est increase occurred in manufac-turing management and technol-ogy, where fees rose by 60 per cent to £30.5mt.

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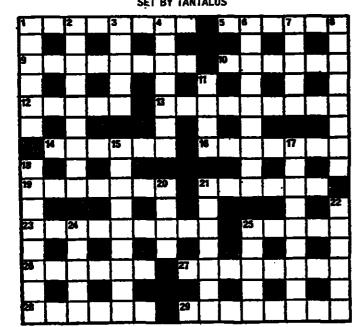
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 1 and 5 Fierce water creature could tip angler's punt (8.6)

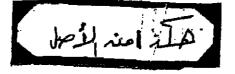
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 extremely sensible (5)
 13 Irish policeman entera opening looking backwards (9)
 14 With no ending (6)
 16 Oriental at French city allowed shoulder piece (7)
 19 Greek mountain music maker (7)
 21 Quiver more perhaps after seeing treasurer (6)
 23 Mighty goddess is a ruler (9)
 25 Cooker brought back and everyone has tea (5)
 26 I go in front of married couple and hinder (6)
 27 Strong stout (8)
 28 "Who loves a ——— loves a greenhouse too (Cowper) (6)
 29 Nectared blend from this bottle (8)
- DOWN
- 1 Live in type provides water
- 3 Single support for pair lying flat (5)
 4 Lifted sailor with a tin that's bright orange red (7)
 6 Commit oneself to arranging burial? (3)
 7 In Maita I gain sight of a forest (5)
 8 Toothless, 28 the first to eat
 extraordinary! (8)
 11 Monster, initially on ground rose effortiessly (4)
 15 Hidden engineers atudy changing tide (9)
 17 Leo scattered earth for Richard I (9)

- 17 Leo scattered earth for Richard I (9)
 18 Betraying someone in the precinct? (8)
 20 When eating in here it's orderly (4)
 21 Unexpected treat he provides drama (7)
 22 Business trouble (5)
 24 He may use 29 frequently (5)
 25 Would you hear a wedge being put up? (5)

The solution to last Seturday's prize puzzle will be published with names of winners on Saturday

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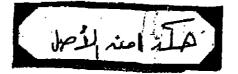
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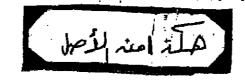
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INDUSTRIALS (Miscel.) - Contd | Person C.J. & J.J. | 1979a | 22.2 | 4.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.4 | 5.1 | 7.6 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 2.5 | 1.7 | 6.1 | 11.6 | 12.2 | 1.7 | 6.1 | 11.6 | 12.2 | 1.7 | 6.1 | 11.6 | 12.2 | 1.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 |

INDUSTRIALS (Miscel.) - Contd. | Agr. Just| | Secar (J. W.) | 229 | 17 | 23.3 | 6.0 | 3.2 | 28.9 | 6.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5



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COMPANY L. Mesi. & Company p.L. 13. Worrington, Cheshir 14: 0925-812890.

Miller wins £70m orders

MILLER CONSTRUCTION has won orders worth 270m. The work, throughout the UK, includes the new CTC College in Solihull. a £3.3m cash and carry for Batley's, a £4m civil engineering project for Savacentre Ware-house at Merton, a fast track fitout for Digital in Fareham at £3.3m together with the closing section of the Edinburgh bypass, worth £11.5m, at Gilmerton.

Cyclops Wharf development

eleven storeys, and providing a tract at Penzance for a single-sto- (£1.3m).

total of 176 units, together with rey store for B and Q. At Swan24 town houses, a leisure comsea a single-storey store and bishing a bank at Manchester, for plex, an underground car park and a retail unit. Situated in the zone, the scheme will involve reconstruction of the river wall to provide a walkway. Completion is scheduled for August 1989.

DEW GROUP, building and civil engineering contracting arm of Allied Partnership Group, has a £10m. The building division has won orders totalling over £4m, ranging from a single-status dining facility at Woodford (£1.4m) for British Aerospace, to offices for Manchem, of Clayton, Man-chester (£600,000). A £1.5m bridge at Ordsall Lane, Salford, for Brit-ish Rail (Midiand) is one of the contracts the civil engineering division has won, which with others including North West Water (£700,000), Salford City Council (£440,000) and Unigate.

A new reading room at Lambeth Palace, a £2m upgrading and extension of the Territorial Army Centre in Fulham, a new art gallery in Mayfair and a £1.5m new look for Soho offices are among contracts valued at £6.25m word by ASHBY & HORNER.

CONSTRUCTION CONTRACTS DIARY DATES

Salisbury General Hospital

KIER CONSTRUCTION, part of Odstock.

The hospital will be built adjanced via a bridge link to the Beazer, has won a £24.8m contract from the Wessex Regional "nucleus" pattern with seven the attraction of the contraction of the contraction of the contraction of the contraction of the Selic Authority for the contraction of the Selic Authority for the Selic Clark Selic Authority for the Selic Clark Sel struction of phase 1 of the Salis-wings. The building on a sloping ding. Work is scheduled for com-bury District General Hospital at site, is generally of three storeys, pletion in November 1991.

Birmingham convention centre

WIMPEY CONSTRUCTION UK
has been awarded public and private sector orders totalling more than £18m. The largest, worth £5.7m, was placed by the Douglas
Turner Joint Venture for the north superstructure of the Birmingham Convention C mingham Convention Centre. It The development will be com-involves the erection of a com-plex reinforced concrete struc-bedroom houses; five one-bed and 38 two-sternal works ture measuring 145 metres by 75 20 two-bedroomed bungalows, including a new bore hole at metres overall and rising 40 and a block of four flats. The Rampton Special Hospital, Retmetres at its maximum above contract is due for completion ford, Nottinghamshire. The con-

risting foundations.

early next year and is valued at tract is due for completion in £2.4m.

Tarmac builds three retail stores

Abbey National Homes has awarded FAIRCLOUGH BUILD-in projects worth more than £17m Council (£2.5m); refurbishing a ations to form two shops in New-port, isle of Wight, for Hardanger to construct the Cyclops Wharf riverside development in London. This consists of eight apartment blocks, ranging from six to eleven storeys, and providing a tract at Penzance for a single-sto-five for R and Q At Swan.

Three retail stores are included brough, for Cleveland County council (£2.5m); refurbishing a ations to form two shops in New-port, isle of Wight, for Hardanger Glamorgan, for Barry Island Resort (£1.3m); and foundations, at Torquay for a two-storey store for Littlewoods and a £1.6m contract Shropshire, for British Sugar that I Penzance for a single-sto-five for R and Q At Swan.

Other contracts include County Council (£495,000); and alter-ations to form two shops in New-port, isle of Wight, for Hardanger Strength Resort (£1.3m); and foundations, at Torquay for a two-storey store for Littlewoods and a £1.6m contract included brough, for Cleveland County ations to form two shops in New-port, isle of Wight, for Hardanger Resort (£1.3m); and foundations, at Torquay for a two-storey store for Littlewoods and a £1.6m contract for altering and refurble National and Provincial Resort (£1.3m).

Other contracts included County Council (£2.5m); refurbishing a ations to form two shops in New-port, isle of Wight, for Hardanger Resort (£1.3m); and foundations, at Torquay for a two-storey store for Littlewoods and a £1.6m contract for altering at Allscott, at Torquay for a two-storey store for Littlewoods and a £1.6m contract for altering at Allscott, at Torquay for a two-storey store for Littlewoods and a £1.6m contract for altering at Allscott, at Torquay for a two-storey store for Littlewoods and a £1.6m contract for altering at Allscott, at Torquay for a two-storey store for Resort (£1.3m). two-storey offices, for Norcros Estates, is valued at £750,000.

the Royal Bank of Scotland (£541,000); alterations and refur-

Major projects include bypass bishment at Harrogate College, road and bridgeworks at Middles for North Yorkshire County (£827,0000), Lichfield (£634,000) and Stockton-on-Tees (£541,000). £11m curtain walling at BBC

CHAMEBEL, a curtain wall com- ters in West London.

Stadium. The curtain wailing will CHAMEBEL, a curtain wait company recently acquired by the Sherburn-based Ward Group, bas been awarded a contract worth clim to supply curtain walling for the new BBC corporate headquar-

Edmonton Green police station

COSTAIN CONSTRUCTION has two years to complete. The first together with the basement of been awarded a £6.5m contract phase comprises demolition and 125, will be leased by Kennedy by Property Services, Metropolitan Police District, to construct Lane which, on partial completing Phase II of Edmonton Green tion, will provide temporary Ortem by Kennedy Brookes. Wilpolice station, London N9. The premises for the branch of the liam Hill, who formerly occupied work includes erection of a nine. Midland Bank, at present in 124 the ground floor of 126 will the station of the liam Hill, who formerly occupied the provided that the ground floor of 126 will the station of the liam Hill who formerly occupied the ground floor of 126 will the ground flo

work includes erection of a nine-storey building. Work has 124 Chancery Lane. After the storey building. Work has 124 Chancery Lane. After the premises in the basement of 126 months.

Ortem Developments has placed a £3.5m order with Costain to undertake an office development at 123-126 Chancery Lane, London WC2. The project wil be undertaken in a number of phases, the first of which started be installed at 126. The ground Some architectural features will ast month, and will take about with the chancer demolition.

Midland Bank, at present in 123/
the ground floor of 126 will return to lease new betting shop premises in the basement of 126.
Office accommodation willbe available on the first to fifth floors. The building will provide space of 125 constants and requires to its original premises to fit out its offices and bank-that the Chancery Lane elevation in a number of phases, the first of which started be installed at 126. The ground Some architectural features will and mezzanine floors of 125-126, be removed before demolition. Office accommodation willbe BOARD MEET

s announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities. The offer is made only by the Prospectus Supplement and the related Prospectus. These Securities may not be offered or sold in the United States or to U.S. Persons as part of their distribution.

This announcement appears as a matter of record only.

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Shearson Lehman Brothers International

SBCI Swiss Bank Corporation Investment banking

Union Bank of Switzerland (Securities) Limited

March 1988

PARLIAMENTARY

TODAY privatisation. Motion on wages (Northern <u>ireland)</u> order. Motion on customs duties 8, 11 am.) (ECSC) order.

Select committee: Public and officials. (Room 6, 4.15 pm.) accounts: subject, Northern Ireland Comptroller and Auditor General's report on Northern Ireland Appropriation Accounts, 1986-7. Witnesses: Mr Alan Elliot, Department of Health and Social Services, and Mr J. H. Parkes, Department of Education. (Room 16, 4:45 pm.)

TOMORROW. Commons: Debate on estimates relating to storm damage recovery scheme 1987, and assistance to the coal industry. Motion on the general assistance grants (abolition) (North-

ern Ireland) order. Lords: Multilateral Investment Guarantee Agency Bill, commit-

Employment Bill, committee. Motion on Unemployment Ben-efit (Disqualification Period)

Order, 1988. Select committees: Parliamentary Commissioner for Administration: subject, reports of the Health Service Commissioner. Witnesses: DHSS officials (Room Committee on a private bill:

the National and Provincial Building Society. The contract London Docklands Railway (Beckton). (Room 5, 10.30 am.) WEDNESDAY housing division has won contracts for work on homes at Bradford (£1.5m), Huddersfield Commons: Local Government Bill, consideration of Lords

Motion on the Rate Support Grant Supplementary Report (England) 1983-84.

Motion relating to the Electricity Generating Stations and Over-head Lines (Inquiries Procedures) Lords: Debate on the role of

energy generation in sustaining

Select committees: Welsh Affairs: subject, Inward Investment. Witnesses: Committee of Welsh Dis-

FINANCIAL

COMPANY MEETINGS W. 11.00

BOARD MEETINGS-

Croda Cosmetics & 1987/92 3 inpt. Disons Group 1 3p Ellis & Everard 1.9p Emessor Gorps. 20cb

nick 0.65p

Hampson Inds. 6 4p Hampson Inds. 6 4p Hampson, 15.3p Johannesburg Cons., Inv. 164.0745p

REMY FINANCE B.V.

FRF 300.000,000

GUARANTEED FLOATING RATE

NOTES 1993

For the three months, March 4, 1988 to June 6, 1988, the rate of interest has been fixed at 7 13/16 % P.A. The interest due on June 7, 1988 against coupon at 6 will be

FRF 206.16 and has been computed on the actual number

of days elapsed (95) divided by 360, The Principal Paying Agent

SOCIETE GENERALE ALSACIENNE DE BANQUE

15. Avenue Emile Reuter LUXEMBOURG'

trict Councils; Welsh Counties Commons: Debate on electricity Committee. (Room 18, 10.45 am.) Energy: subject, electricity pri-vatisation. Witness: Mr Cecil Parkinson, Energy Secretary. (Room 1200) (until March 9)

Education, Science and Arts: subject, aspects of Government expenditure relating to education Betting, Gaming and Lotteries and science. Witnesses: Mr Ken-(Amendment) Bill, committee. neth Baker, Education Secretary. neth Baker, Education Secretary, Employment: subject, urban development corporations. Witnesses: the Bishop of Stepney and Manpower Services Commission officials. (Room 17, 4.15 pm.)

Home affairs: subject, broad-casting Witnesses: British Satel-lite Broadcasting and Bank Organisation. (Room 15, 4.15 pm.) Public accounts: subject. annual statement on major defence projects, control and management of development of major equipment. Witness: Mr Peter Levene, Ministry of Defence. (Room 16, 4.15 pm.) Rnvironment: subject, air pol-lution. Witness: Imperial Chemi-cal Industries. (Room 20, 4.30

Treasury and Civil Service: subject, duties of civil servants in relation to ministers. Witness: Sir Robin Butler, head of the Home Civil Service. (Room 8, 4.45 pm.) Joint committee: subject, private bill procedure. Witness: Society of Parliamentary Agents. (Room 4, 5 pm). Committee on a private bill: London Docklands Railway (Beckton). (Room 5, 10.30 am.)

THURSDAY Commons: Regional Development Grant (Termination) Bill, remain-

ing stages. Consolidated Fund (No.3) Bill. Lords: Copyright Designs and Patents Bill, report. Social Security Bill, third read-

Question to Government on benefits expected to result to the UK economy from World Expo 88 to be held in Brisbane, Australia. economic growth.

Question on Government intentions regarding conflict in Pales-

FRIDAY

motions.

Do: Flig. Rain Sub. Nts. 2001 \$388.6 First Interstate

(01-730 3438)

Institute of Directors: Corporate

90 The years of living dangerously, world imbalances, currencies and equities (01-222 9571) Hyatt Regency Hotel, Brussels

FINANCIAL TIMES CONFERENCES TECHNOLOGY IN THE INTERNATIONAL SECURITIES

The Financial Times third conference on Technology in the International Securities Markets will open with an overview of the present and future global equity market given by Mr Alastair Ross Gooby, International Investment Strategist, Global Equities of James Capel. The growing use of computers in the markets will be discussed by Mrs Philippa Hooper. Director, Postborn Global Asset Management and Mr Steven Wunsch, Vice President of Kidder Peabody & Co. Mr Richard Justice, Executive Vice President of the National Association of Securities Dealers and Mr Robert Garland, Managing Director of Morgan Stanley International will review the impact of automated trading on the markets.

THE NEWSPAPER INDUSTRY - A PERSPECTIVE OF THE NEXT FIVE YEARS London, 12 & 13 April 1988

As part of the celebrations to mark the Centenary of the Financial Times, the Newspaper is holding a major conference to look at the future of the newspaper industry both in the United Kingdom and abroad. The eminent panel of speakers include Mr Lee Huebner, Publisher of the International Herald Tribune, Mr Ko Morita, President - Chief Executive Officer of the Nihon Keizai Shimbun, Mr Bill O'Neill, Managing Director of News International and Mr Ralph Ingersoll, Chairman of the Board of Ingersoll Publications.

London, 11 & 12 May 1988

GOLD Vienna, 13 & 14 June 1988 This conference, one of the most significant annual Financial Times events, has attracted another remarkably distinguished

answering service)
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Trade Fairs and Exhibitions: UK March 16-19 The Stationery Industry Exhibition - STATINDEX '88 (01-385 tion Opprunities - EUROTECH

SCOTLAND Scottish Exhibition Centre. March 18-20 Fast Food Fair (01- 948 9900) (Midlands Franchise & Business

SKI-EX (0932 24661) (until March March 20-22 International Cycle & Leisure Exhibition Centre, Harrogate Fair - CYCLE (01-390 2211)

Opportunity Exhibition (0202

March 21-24 Exhibition and Conference Materials Testing Exhibition EFTPOS (0734 794161) (until (07372 75641) (07072 75641) NEC. Birmingham

Current
Daily Mail Ideal Home Exhibition March 23-25
Fashion Fabrex (01-385 1200)

March 13-15
British Footwear Fair (01-739
2071)

NEC Pinningham
Electronic Printing and Publishing Exhibition (01-647 1001) NEC, Birmingham

March 29-31 Old Town Hall, Chelsea Scottish International Food & Drink Sales Equipment Exhib-March 15-17
London Food Exhibition (01-496 tions (031-225 5486)
Scottish Exhibition Centre, Wembley Conference Centre

International Gift, Jewellery &

Stationery Spring Show (Taipei(02)725 1111)

Anglo-Jordanian Trade Fair (01-

identity, culture and communication - does your company identity work for you? (01- 839 1233) 116 Pall Mall, London SW1

D.C.Gardner: Short termism in the stock markets (01-283 7962)

March 21 Institute for International

Research: Compliance with the

capital adequacy regulations (

Eurmoney: Futures and options

01-236 3288) Grosvenor House, London W1

The Electricity Consumers' Coun-

cil: Privatising electricity - a chance for change?
The Hotel Russell, London

Financial Times Conferences:

Technology in the international securities markets (01- 925 2323) Hotel Inter-Continental, W1

Park Lane Hotel, London W1

5-9 New Street, London EC2

Overseas Exhibitions

March 21-25

April 5-11

March 17

March 24

March 24-25

March 8-12 International Business Show (01-March 20-24 ow (01- Agriculture, Irrigation & Agri-In-dustry Exhibition - SAUDI Tokyo AGRICULTURE (01-486 1951)

March 12-14 International Fashion Shoe Exhibition - MIDEC (01-225 5566)

until March 8)

G-Mex Centre, Manchester

British Ski Trade Exhibition

Retail and Financial Services

(01-222 9341) (until April 4)

Antiques Fair (04447 2514

March 15-26

March 15-17

Novotel, London

International Spring Fair (01-49)

Business and Management Conferences March 10-11 VentureCorp: Leveraged buy-outs in Europe (01-734 1343) Dorchester Hotel, London W1

March 10-11 Acquiring in Europe (01-637 4383) Marriott Hotel, London March 11-12 Eight European Business Schools attack the American MBA mar-

ket (US: 212-418-6500). Intercontinental Hotel, New 01-434 1017) Wye College: A return to the March 21-22

land? (0233 812401) Ashford, Kent March 15 Electronic Publishing Services: Evaluating investment and acquisition opportunities in the infor-mation industries (01-490 1185) The City Conference Centre,

March 15 Institute of Directors: Retirement

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Technology to support management control will be addressed by Mr Alan King of SIB, Mr Ian Macteod of Logica Financial Systems and Mr Bill Bound of Coppers & Lybrand Associates.

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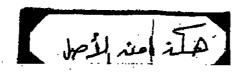
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Mr Roderick Dewe, Mr Ian Morison, Mr Richard Lambert, Mr Neil Ryder, Mr Michael Prideaux, Mr Harold Lind, Mr John de Unbanch. Mr Peter Hutton, Mr John Standen. Mr Antony Uphangh, Mr Peter Hutton, Mr John Standen, Mr Antony Beevor, The Ri Hon John Smith, QC, MP, Mr Tim Miller, Mr John Morgan, Mr Martin Vile, Mr Mark Boleat, Mr Kevin Gavaghan, Mr Chris Hatry, The Rt Hon Norman Lamont, MP and Sir Kenneth Berrill, KCB.

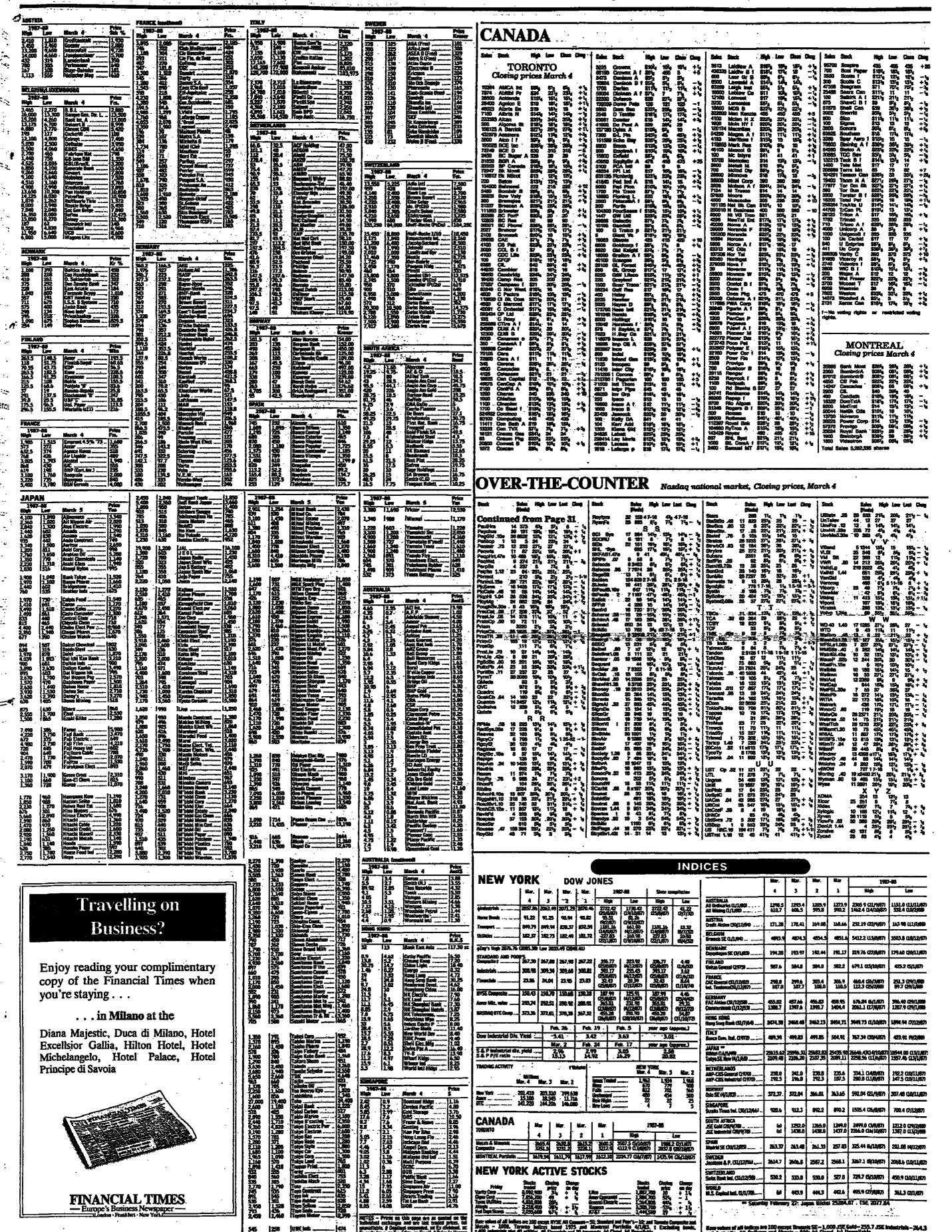
panel under the chairmanship of Mr Robert Guy and Mr Fritz Plass. Dr Chris Stals of the South African Treasury will once again be the Keynote Speaker and the other contributors are: Dkfm Ferdinand Lacina, Mr Tim Green, Mr Brian Marber, Ms Amy Gassman, Mr Rolf Willi, Mr Julian Baring, Mr Guy Field, Mr Denis Suskind, Mr Itsuo Toshima, Mr Don Markay Cachill. Mr Denis Suskind, Mr Itsuo Toshima, Mr Don Mackay-Coghill. and Mr Alfred Scheider.

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Financial Times Monday March 7 1988

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Politics to dominate US as Britain waits for Budget

LAST WEEK produced some timexpected and confusing economic data on both sides of the Atlantic. This is likely to be a week when politics are more important than economic news in the US, and the UK enters a becalmed period ahead of the intervented and confusing economic news in the US, and the UK enters a becalmed period ahead of the intervented and confusing economic news in the US, and the UK enters a becalmed period ahead of the intervented and for February interessed only 0.1 p.c., or 20,000. This is not encouraging for US export performance, and suggests that more imports could be sucked in, through rising consumption among non-manufacturing employees.

This compares with a rise of 0.5 p.c. in January, and if the market about 0.8 p.c. and producer prices about 0.8 p.c. ar

In the race for the White House one of the most important dates in the presidential election calender takes place on Tuesday, with 20 southern states holding primary elections. Market moving news is likely to be scarce, and reaction to last week's news showed dealers are in no mood to take positions ahead of the US ing to Morgan Grenfell weak January trade figures on March employment numbers are likely 17 and the UK Budget. Sterling next month as some of the very virtually unmoved.

The UK January trade figures, Strong employment growth trade news, and continued to announced Monday, were at least was seen in the service sector, benefit from favourable interest \$500m worse than the City expection.

Clase

1.7700-1.7710 0.33-0.30pm 1.06-1.03pm 4.03-3.93pm

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

Mar 4

employment rose a much higher than expected 531,000, compared with market forecasts of 200,000, and 107,000 in January. Mr Rupert Thompson, international economist at Morgan Gren-

fell, said the figures quash any fears of a recession in the US. The dollar weakened on the news, but then recovered to fin-ish above the day's lows. Accordwas strong and the dollar was large gains in particular sectors virtually unmoved.

Changes are for Eck, therefore positive change Adjustment relocated by Florancial Times.

EMS EUROPEAN CURRENCY UNIT RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

On this basis Morgan Grenfell expects a rise in the US trade deficit to \$13bn in January, from

Like the US employment statis-tics, the UK trade deficit for January left the market believing that the sharp rise was the result of distortions. The sharp fall in exports to the rest of the European Community was particularly suspicious, and after a neryous initial setback sterling

showed little reaction. The pound shrugged off the

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LUTTE 4/5 (PT)005 525,000 (equb per 61)

LONDON (LIFFE)

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LEFFE SHIRT STEPLING

timated volume total, Calls () Pats () grious day's open let, Calls 336 Puts 657 0.30 0.25 0.65 3.30 9.65 13.90 CHICAGO

SWISS FRANC (MAIS SP: 125,000 \$ per SP:

104.77 88.04

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77.53 95,89

73-51 162-97 115-60 176-54 103.42 71.38 111.81 108.63 124.81 143.21 113.85 84.25 84.25 134.59 109.07

nark (38 Finland (23)

Norway (24) ... Singapore (26)

Europe (965)...... Pacific Basin (679) Euro-Pacific (1,644)

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14 30 386 20 22 5.10 B TOTAL VOLUME IN CONTRACTS: 24,950 C=(21)

Financial Times Monday March 7 1988

EUROPEAN OPTIONS EXCHANGE

27225

4.50

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BASE LENDING RATES

Rat BL of Kuncit KasWestminster.... Northern Bank Ltd , Norwich Gen, Trust , PK Finans. Lott(UK) Provincial Bank PLC.... Americau Exp. Bk . Oppris Popular 8k . Dumbar Bank PLC . Opercan Laurile Equatorial Bank plc. Exeter Trust Ltd..... Royal Trust Bank Smith & William Secs. Standard Chartered Financial & Geo. Sec. First Nat. Sec. Ltd. ... Robert Fleming & Co. ... Robert Fraser & Pturs. . Bank Credit & Cosses United Bit of Kawait. United Mizrate Bask ... Unity Trust Bask Pic ... Girahank Grindlays Bank O Galuness Mahon ... Western Trest Westpac Bank Corp. Members of the Accepting Rouses Committee. ** 7 day deposits 4.00% Saventse 6.66%. Top Tier-E2,500+ at 3 moths' votice 8.31%. At call when C10.0000.

1987/88

72.77 67.78 73.92

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Page Mazior

Total del Pa

Beschmark Bank PLC.... Berliner Bank AG Brit Bit of Mid East £10,000+ remains deposited. 4 Mortgage base rate. § Demand deposit 4.00%, Mortgage 9.625% - 10.% FT - ACTUARIES WORLD INDICES Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries **DOLLAR INDEX**

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104.40 87.58 134.27 118.33 119.91 116.59 85.53 77.57

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20070955355728492273 **EURO-CURRENCY INTEREST RATES** OTHER CURRENCIES

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Figures in parasthes show number of stoo per grouping Australia (91). Austria (1.6) . Belgium (48) Canada (1.26) italy (94)...... Japan (457)... Malaysia (36) Mexico (14)... Sweden (32) Switzerland (53) United Kingdom (327) .

Close High Low Pres, 184.00 185.00 181.80 180.90 186.00 186.80 184.55 183.10

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Interest rates favour the pound

CITY ECONOMISTS have been scratching their heads for some time, trying to decide the strat-egy of Mr Nigel Lawson, the Chancellor, in this month's Bud-

MONEY MARKETS

Chancellor, in this month's Budget.

It has been assumed Mr Lawson will cut taxation, and economists tend to feel he will produce at least one startling measure, taking the City by surprise.

be the abolition of the married allowance introduction as a partially transferable allowances or being the married allowances and the introduction as a partially transferable allowances or bolicy of keeping interest rates or relatively high is the main attraction to overseas investors in the money market, where according to CSFB the differential stands at the component of the married allowance, and the introduction as a partially transferable allowances or policy of keeping interest rates or relatively high is the main attraction to overseas investors in the money market, where according to CSFB the differential stands at

at least one startling measure, taking the City by surprise.

Mr Christopher Johnson, chief economic adviser to Lloyds Bank, says the main reform is likely to the control of the control FT LONDON INTERBANK FIXING

(11 00 a.m. Mar 4) 3 months US dollars & smooths US Dollars

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

	Mar.4	change	NEW YORK	Mar.4	dange
CONDOM Base rates 7 day interbank 3-mounts interbank Treasury Bill Tender Band 1 Bills	9.00 8.7686 8.7686	Unch's	Prime rates Federal Funds 3 Mith. Treasury Bills 6 Mith. Treasury Bills 3 Mith. CD	84 65 518 625 6.725	Unch'd +0.12 +0.23 Unch'd
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TOKYO One pronth BillsThree month Bills	3.96875 3.84375	+0.0625	intervention Rate	- 750 72 72	Uncire ***
gaussels One worth Tarce month	61 ₂ 61 ₂	2	Three mouth	批	4
AMSTERDAM One month	372	:	DUBLIN Coe month Three superb	82 84	14

MONEY RATES NEW YORK Treasury Bills and Bonds
5.03 Three year
5.49 Four year
5.87 Five year
6.23 Seven year
6.64 10-year
7.19 30-year 325-340 71-71-11-11-33-4 3-9675 103-111-64-63 84-82 3.30-3.40 712-75 114-11 38-43 3.84375 101-111 61-62 81-81 꽊探 63-94

LONDON MONEY RATES 7.16-7.05

THE NEWSPAPER INDUSTRY

- A PERSPECTIVE OF THE **NEXT 5 YEARS** 12 & 13 April, 1988

Hotel Inter-Continental.

London

FINANCIAL TIMES tisement, toget tes cerd, to: Financial Times Conference Org 2nd Floor 126 Jermyn Street London SWIY 4UJ Alternatively telephone 01-925 2323 telex 27347 FTCONF Q Fax: 01-925 2125

GERRARD VIVIAN GRAY Gerrard Vivian Gray are moving on 7 March 1988 to new premises at

Burne House, 88 High Holborn, London WC1V 7EB Telephone: 01-831 8883 Telex: 887080 Fax: 01-831 9938 GERRARD VIVIAN GRAY LIMITED Are moving into

Contracts & Tenders

LOIRE VALLEY SYNDICAT MIXTE DU PAYS BAUGEOIS INVITATION TO TENDER NATURE OF MARKET

The "SYNDICAT MIXTE DU PAYS BAUGEOIS" This assure will be finited with European rouses at the crosser North-South route: Estain-Spain West-East rouse: Atlantio-Central Europe
The Innovating aspect of this project is to offer in 1992 come in Western France.
Therefore, a competent project-study department is required investigate the feasibility of project (stage 1) — play the technical arrangements of size (stage 2) — participate in the commercialization of estate, particularly a The three above stages will be aprend out over a period of tie

GOVERNING BODY:

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121.82 104.93 158.68

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112:32 | 139.73 | 100.00 | 117.84

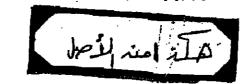
"SYNDICATE MIXTE DU PAYS BALIGEOIS" TENDER PROCEDURE :

APPORTIONMENT OF ESTATE

TIME ALLOWANCE FOR STAGE 1 - INVESTIGATING FEASIBILITY OF PROJECT

APPEARANT STATEMENTAL DEXPANSION ECONOMIQUE 2 ms, Desk Papis 49018 ANGERS CEDEX (FRANCE) TEL : 41-87-93-85 TELEX : 722-439

thice series the late tate of qualification - a note of the attact of computates interested as regar-FINTER-BOROUGH ASSOCIATION OF BAUGE AREA



SECTION III

FINANCIAL TIMES SURVEY



A far-reaching economic reform

programme, introduced in 1986 by President Ibrahim Babangida is

gradually taking effect. But austerity measures are unpopular and the programme could be undermined by an inflationary budget, says Africa Editor, Michael Holman.

Demanding year ahead

A faltering in the imple tion of the country's economic exchange auctions which keep recovery programme raises the currency realistically valued, doubts about the likelihood of reaching greement with the inefficient system of import International Monetary Fund licences accompanied by tariff (IMF), with which the administration is currently negotiating.

The government's political honeymoon with Nigerians (and the press) is coming to an end as austerity bites deeper. A disquiet-ing undercurrent of religious tension between the country's Christian and Moslem communities is worrying government officials and religious leaders alike. Trade unions are becoming restless and the business community expects spate of wage claims and labour disputes. The good food harvests which have helped cushion the impact of economic reforms have wilted in the face of a serious drought which affects much of northern Nigeria.

All these factors combine to essential precondition to the present the President with his most challenging year since he external debt), the backing of the most challenging year since he took office in a bloodless coup in

In the space of two and a half

TESTING TIMES lie ahead for leading to a radical transforma-the military government of Presi-dent Ibrahim Babangida. leading to a radical transforma-tion of Nigeria. The 66 per cent devaluation of the Naira in September, 1986, (and regular foreign reforms, and the dismantling of agricultural commodity boards which fixed prices at artificially-low levels, have created a heal-thier environment for industrialists and farmers alike.

The first admittedly tentative steps have been taken in what will be Africa's largest privatisa-tion exercise, affecting nearly 90 organisations in which Federal or state government shares will be sold or reduced, such as hotels, or which will be required to operate on a commercial footing -such as the Government-owned telephone and electric power

It is a programme which won the endorsement of the IMF (an World Bank, and the support of trading partners who had become increasingly impatient at earlier years, General Babangida has governments' failure to pay presided over a process which is mounting trade arrears.



ligeria

are high. In abandoning the import licensing system the gov-ernment surrendered not only a valuable form of patronage. It also antagonised an influential group - particularly strong in the politically sensitive north - which sold the licences at hugh

The introduction of a competitive exchange rate - in 1980, the Naira was nearly on par with the pound (compared to over N7 today) – changed overnight the life style and living standards of Nigeria's middle-class – which includes army officers.

Annual trips to London or New York, a car, television, education abroad soon became impossible as fares more than doubled and prices for imported goods soared. Nigeria, once notorious as a "throw away" society, adopted what the President has termed a "maintenance culture".

ous alternative, as illustrated by reform - an exchange rate the economic policy of General which treads a tightrope the economic policy of General which treads a tightrope Buhari, who offered austerity but stretched between economic real-no long-term strategy, and who was deposed by President Baban-Senior government officials

adjustment programme is prov-ing for many Nigerians, some of the price of oil, which accounts whom may be tempted by a debt for over 90 per cent of export moratorium and a go-it-alone polernings, suggesting that the icy, there remains no viable alternative. As the article on the econthe US\$16 on which the budget is omy illustrates (see inside pages), Nigeria surely has more to gain by persevering with reforms and tion of customs duties will help thus maintaining the support of narrow the deficit. And most commercial lenders and the important of all, the so-called

Council, the governing body, bling in its course. If taken at class hint, be reduced by perhaps taken these risks? Partly out of face value – the budget deficit as a third, later this year.

This last measure will indeed, put the budget in a very different mismaged the enormous oil of high inflation, which in turn light, provided at the same time mismanaged the enormous oil of high inflation, which in turn wealth of the late 1970s and early will put severe pressure on the 1980s, was long overdue. And Naira, and threaten the thus far partly because there is no obvi- shrewdly managed lynchpin of

vas deposed by President Baban-ida.

Senior government officials argue in effect that the budget is Painful as the structural not quite what it seems. They are

Further, more efficient collec-Why, it may be asked, has The 1988 budget, however, sugs sells at a fraction of the rate in Nigeria's Armed Forces Ruling gests that Government is web-neighbouring countries) will, offi-

"Let us tell those who preach trade liberalisation and other they are leading us along the path of great economic decline,

unions, who vigorously argued

for retention of the subsidy. The government's position was not

helped by an outspoken speech by the former Nigerian President,

and political consequences that

budget, but also to defuse tension

by reflating the economy beyond

freeze and giving civil servants a

assessed, but not before the unions launched a series of wage

will be hard pressed to meet.

we can ill afford," he declared.

General Olusegun Obasanjo.

the Central Bank reverses its puzzling decision, taken towards the end of last year, to ease restraints on money supply. But the price of fuel is the most sensitive issue the government had had to face. City transport is grossly inadequate and many workers have to begin their jour-neys at dawn: that the arduous experience should become more expensive will be a hard cross to

The government was fully aware of this when it launched last year an anti-subsidy campaign, explaining that an increase in fuel prices would provide more funds for government spending on education, health, roads and other services. ment lost the public relations battle to the Nigerian trade

are expected to rise this year. The good news, however, is

POLITICAL SCENE Seeking a tresh start fo democracy; the timetable for return to civilian rule; foreign

ECONOMY AND FINANCE Anxieties over the new budget measures. Pressures to sta the naira; insurance;

TRADE AND INDUSTRY Manulacturers feel vulnerable Capital investment scene. import regime. Motor industry. Export credits; company profits;

big farming operations: Lev

AGRICULTURE Obstacles to the 'food first' philosophy. Cocoa: prospects for a more stable market; textiles: stable crop production: the biggest test yet. Case study: agricultural development project in Sokoto.

OIL AND GAS economy. Development of natural gas resources; petrochemicals;

LIFE IN NIGERIA Transport development: beginning to contront the mistakes of the past. Tips for the business visitor: life in Lagos is improving. The men at the top. Basic facts about Nigeria. Profile: Wole Soyinka. Pictures: Ashley Ashwood; graphics, Bob Hutchison and Joe

that further tangible benefits of adjustment, which has already benefited many companies and led to an agricultural revival, should start to flow: a commercial banks' loan agreed in principle last year, renewed export credit agency cover, a further World Bank structural adjustment loan in addition to project lending, as well as the easing of

rescheduling will bring. This assumes, however, it seems clear that this combination of pressures not only led is clear that some demanding the Government to drop plans to negotiations lie ahead. It seems almost unthinkable that with both sides having put so much into devising the programme, the level that some senior offi- and with most of the major fea-cials thought wise, ending a wage tures of reform already in place, there will not be an agreement

pay increase of between 15 and 40

But it may be a close thing, per cent, depending on grades.

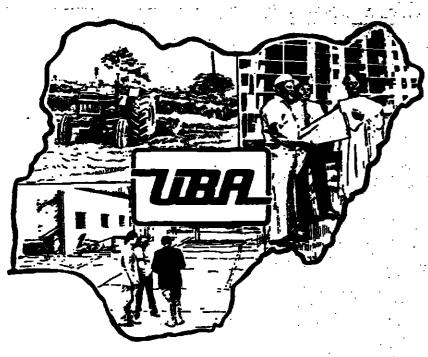
That increase is now being re
Babangida has other concer-In the meantime, President Bahangida has other concerns.
The severity of the drought in the North has yet to be accurately assessed but there is growing anxiety that government has The fuel issue aside, further been slow in responding.

ough measures are in the pipe
Religious tensions within the

tough measures are in the pipe-line. As part of the "commerci-alisation" principle already fol-where heretical predominantly Moslem North. ride more funds for government spending on education, health, roads and other services.

As it turned out, the government lost the bublic relations are expected to rise this year.

As it turned out, the government lost the bublic relations are expected to rise this year.



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Liabilities March 3	1987 1st N'000	_: 1986 N'000	Assets March 31st	1987 N'000	1986 N'000				
Capital Reserves Deposits, etc. Contra Accounts	75,000 191,179 5,390,533 923,024 6,579,736	75,000 163,839 4,378,805 564,290 5,181,934	Cash investments Loans & Advances, etc. Contra Accounts	2,828,109 319,432 2,509,171 923,024 6,579,736	2,580,502 217,669 1,819,473 564,290 5,181,934				

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London Representative Office Plantation House 5-8 Mincing Lane Suite 2-7 A (7th Floor) B-Entrance London EC3N 1BJ Tel: 01-626-7205-7. The Military Government is seeking the right timetable and formula for preparing civilian rule, reports Michael Holman

Seeking a fresh start for democracy

FOR THE SECOND time in a decade, Nigerians are preparing for a return to civilian rule, and the politicians are back in bust-

observer puts it. They operate discreetly, using traditional insti-tutions, funeral gatherings and other religious events, and osten-slibly social occasions as a front behind which old loyalties are reasserted or new allegiances forged. In short, the groundwork is being done for the day, barely a year away, when party politics returns to Nigeria after a five-

party politics is proscribed until then, and tens of thousands have been barred from holding standing for office again. The prescription is part of the military government's effort to give Niger-lans a fresh start in democracy. The country has been disillu-sioned by a succession of coups since independence in 1960 and by the corruption and vote-rig-ging that marred the civilian

dent Shehu Shagari. But Nigerian politicians, who have been lying low since the military took over at the end of 1963, are irrepressible once they get a whiff of the hustings. The over-riding question today is whether the Government has found the right timetable and formula through which to channel the democratic aspirations of electorate whose main ethnic differences – (Yoruba, Hausa-Fu-lani and Ibo) – and whose Chris-tian-Moslem divisions are major

factors in Nigerian politics. In summary the government has decided to limit political par-ties to two, maintain the 1979 US-style constitution, albeit with modifications, which provides for cameral legislature, and to have a phased return to civilian rule, transfer over the space of a few weeks, as occurred in 1979.

acea for Nigeria's ills - and so political basis. The ban on indihas the idea of a step by step viduals may not have been eased transition with reservations by then, but many Nigerians about the practicality of the all-believe that come the next round who believe that provision for embracing ban on former office — state legislatures in the first further parties could help blunt

THE MEN IN CONTROL See the back page of this sur-Forces' Ruling Council, the National Council of Ministers and the State Military Gover-

ranging from former ministers and state governors to - in theory, at least - a driver sacked for insubordination, for the prohibition includes anyone who was fired form his or her job

Many of the old political hands seemed to be at work behind the scenes last December, when 13,000 candidates stood for 301 local councils. The outcome fell far short of an exercise in democ-racy. The national Electoral Commission, established last August, was not up to the mammoth task.

Voters' registration lists were inaccurate and considerably inflated, polling boxes were some-times stuffed and sometimes failed to arrive, much to the fury of voters. Government has treated the matter phlegmatically, ordering re-runs where nec-essary and making the point that, the five year transition allows

holders (including members of half of 1990 – some familiar faces the present administration), and will be back on the political the wisdom of the decision to scenes, vetted for probity, and

other electorates. But much as fundamental: the fear that the they may wish to be governed by a new generation of honest politicians, they doubt the viability of a sweeping, undiscriminating gious affiliation (the north is pre-ban which could exclude as many dominantly Moslem, the South as 50,000 people from political life Christian) will become danger much it. Although

southern interest groups can be unable to dominate the commumisleading. The north is home to
many Christians (the chairman
of the local council elected last
Decamber in Kaduna, a strongAzikiwe, is happily still going hold of "northern" politicians, is, strong, but one day the Ibo politi-for example, a Christian), while cal mould will also be broken presence in the south.

At the same time, suggestion

Northern figure warned: "If goveriment sticks to the two party limit, one party will be northern based seeking to make inroads in

up by the government's puzzling the country's politics. decision in 1986 to become a full There may indeed time to learn from experience. decision in 1986 to become a full. There may indeed be a new But from Kano to Lagos there are member of the Islamic Confer- breed of Nigerian politicians in

widely welcomed - though tem-pered by the recollection that a take place again at the end of munities believe that religious civilian government is not a pen-1989, but this time on a party tensions might easily turn to vio-

ethnic and religious divisions. It is far too early to make any limit the humber of parties to traditional shortcomings curbed runners when the ban on political by tougher enforcement of electrical parties is lifted (and should toral laws.

The second concern is more field), if only because the department of the ban on individuals be modified. with the same scepticism as most The second concern is more fied), if only because the depar-other electorates. But much as fundamental: the fear that the ture of some of the colossi of the

Like most political generalisa- Africa magazine put it. Although tions, the suggestion that Nigeria there are several contenders for can be divided into northern and the "Yoruba vote" they will be

there is a substantial Moslem leaving the succession far from

At the same time, suggestion for its part the North others no that there is a solid Northern obvious candidate at this stage, bloc is misleading, for although though considerable manoeuvrouservative political and econing is taking place, partly within nomic values dominate, there is a the ranks of the Northern Elders strong radical tradition represented today by the highly mid-87 ostensibly to "deliberate respected Balarabe Musa, goverong the inter-religious conflict" in nor of Kaduna state from 1979 to the debate as well. The minority 1981, and ex-governor Rimi of groups, meanwhile, have yet in 1961, and ex-governor Rimi of groups, meanwhile, have yet to Kano state.

It may well be that Nigeria's next president is a comparative based seeking to make inroads in unknown, perhaps drawn from the south, and the other will be the ranks of "rich, young, ritired southern based, with a similar military officers" who, the wellstrategy. Inevitably religion will informed Nigerian newsletter, become a political issue."

The Insuler, suggests, will play an increasingly important role in

The Government's commitfew voters who do not believe ence Organisation (a move deeply the making. But the "old crows
ment to a return to civilian rule that many of the candidates represented by many Christians) will not easily be shunted aside.



Britain's Prime Minister, Mrs Margaret Thatcher with the Thatcher's African tour with her hesband, Denis, in Januar

Foreign policy

New mood of realism

"NIGERIANS have come to real-ise," writes ex-Foreign Minister Diplomatic Soldiering, that unless we begin to concentrate on better management of our own human and financial resources, there is no way that we can pursue any fireign policy objectives with conviction and

Major General Carba, currently Vigeria's representative at the United Nations, continues: "We will need to formulate realistic attract foreign technology and financial investment. No amount of ideological posturing will pro-duce the results that we need in

he next decade." Although Nigeria's new foreign Although Nigeria's new foreign minister, Major General Ike Nwachukwu, has not been in office long enough to leave his mark (he succeeded Professor Bolaji Akinyami last December), it seems likely that Joe Garba's realistic and pragmatic assessment of the country's options is matched by government policy.

matched by government policy.

Perhaps the best example of
this pragmatism was the reception accorded Mrs Margaret
Thatcher, the British Prime Minister, when she visited Nigeria in January. Although her brief stay was marked by modest demonstrations, protesting against Britain's refusal to implement made it clear that differences over how to end apartheid would not fundamentally affect rela-

President Babangida urged Britain to "re-appraise" its approach to South Africa: But he also paid tribute to Britain's backing of Nigeria's structural adjustment programme. Much of the country's progress on debt rescheduling "is attributable to the understanding and co-opera-tion of our Western creditors, particularly that of your govern-ment," he told Mrs Thatcher, "which, through its various financial institutions and credit agencies, has demonstrated con-siderable support for Nigeria's

relations between the two coun-tries, which reached a nadir in 1984 with the withdrawal of High Commissioners over the abortive attempt by Nigerian agents to kidnap a prominent exile, Mr Umaru Dikko, from his London e, that the two governments will this month resume the tradi-tion of an annual bi-lateral conference, last held in 1983, Sir Geoffrey Howe, the British for-eign secretary, will be meeting his Nigerian counterpart at the former's official country resi- tion to international efforts to dence, Chevening House, in Kent. resolve the Third World debt cri-A similar economic pragma-tism underlies relations with two

other important European trading partners, France and Germany. The ambivalence with
which Nigaria sometimes views
France's military activities in the
region – its stabilising support
for Chad in the conflict with
Libya has been appreciated, but
its powerful overall military role
in the regional Francophone
states is regarded with a degree
of unease – takes second place of unease — takes second place to a belief that trade and invest-ment links could be strength-

the contrary. France has not in fact been able to erode Britain's position as Nigeria's leading busi-ness partner. But as one Nigerian official put it, "encouraging France, West Germany or Japan, for that matter, makes contracts or suppliers more competitive, and makes clear to the UK that we are not a captive market." we are not a captive market."
It is a far cry from the ambitious concepts pursued by Professor Akinyemi, who believed that Nigeria would play a leading part in world affairs by establishing a forum of "medium powers", including countries such as Austria, Canada, India and Brazil which could play a mediating which could play a mediating role in world affairs. There was

The "medium power" concept now appears to be in limbo. And although President Babangida raised with Mrs Thatcher the problem of Black Africa's estimated US\$200bn external debt, and the adverse impact that heavy servicing commitments were having on economic reform programmes in place across the continent, there is no sign of a Nigerian initiative on the issue.

Other features of Professor Akinyemi's legacy are also either discarded or under review. Last September he was criticised at home after meeting the Israeli the session of the United Nations General Assembly. Over 40 per cent of Nigeria's 100m or more people are Moslem, and although there is a significant Israeli business presence in Nigeria, its members keep a very low profile. members keep a very low plottle.
Coming at a time when relations
between Nigeria's Moslem and
Christian communities are
strained, the meeting was
regarded by some government
officials as unwise.

Professor Akinyemi's suggestion towards the end of last year that Nigeria might be prepared to mediate in the Angolan civil war, could make a greater contribu- - probably incorrectly

meaning that Lagos was shifting from its long-established support for President Dos Santos's gov-ernment in its battle with Unita rebels led by Mr Jonas Savimbi.

confirmed that Nigeria would indeed be prepared to play such a role - but only if invited by both role — but only if invited by both sides. But he had no illusions about the problems Nigeria would face in an apparently intractable conflict, which has defied the negotiating efforts of the United States and defeated African initiatives led by President Kenneth Kaunda of Zambia.

Nor does Nigeria have any illu-sions about the impact it can have on South Africa. The paritary leader, General Olusegun Obasanjo, in the Common-wealth's "Eminent Persons Group" visit to the republic in 1986 ensured that Lagos is as well-informed as any African capital about South Africa.

A visit to Nigeria last month by a senior delegation of the Afri-can National Congress may have paved the way for greater Niger-Further difficulties arose out of tary wing of the organisation, but

Demanding year ahead

Babangida's timetable for a sions.

Phased return to civilian rule culminating in presidential elections carn is the decline in the govin 1992 has been widely wel-

But many Nigerians are sceptical about the wisdom and practicality of two decisions. The first is last July's sweeping ban on the participation in the five year belavisor of thousands of former a surfait of government office ers" hold up and confuse the holders, many of whom are nonetheless active behind the scenes. The second is the decision to allow only two parties (a han on party politics is due to be lifted party politics is due to be lifted early next year). The danger, eroded the standing of the armed forces. There are signs of a somethe two parties may be northern times heavy handed approach to and southern based, the one mainly Moslem, the other largely amongst the freest in Africa. And there is a danger that recent changes to the civil service (one of which is to make the Perma-

mucu. spopularity (although not the personal standing of the But many Nigerians are scep-President).

Continued from page 1 It may well be that government nemt Secretaries' tenure limited to the political front, General will have to reconsider both decisions to the life of the government of the day) will undermine morale chased return to civilian rule cul- What is of more pressing continue to the service and further weaken the continuity the comtry needs but frequently lacks in policy making.
On several fronts, then, are

the President, termed the politi-cal Maradonna of Nigerian politics by West Africa magazine in tribute to the definess with which he has weaved his way between obstacles put up by opponents and interest groups

over the past 30 months. Yet at the end of the day it is rare to meet a Nigerian who. whatever the criticisms he or she expresses, does not conclude with an endorsement of the President himself. That will stand General Babangida in good stead as he attempts to keep Nigeria on the arduous path of economic recov-

abank

The timetable of transition to civilian rule

Complex plans under way

THE MILITARY GOVERNMENT mittee which will review the 1979 ballot boxes, fake polling stations of Africa's most populous state constitution is already at work, and counting irregularities. has begun the complex process of returning the country to civilian rule by the end of 1992.

Although political parties are still banned, and tens of thou-sands of former politicians and office-holders at every level of have been barred from re-enter-ing the political arena, the first steps in a transition designed to culminate in presidential elec-tions in the second half of 1992 have already been taken.

have already been taken.

A National Electoral Commission, established in mid-1987, will ment elections last December, the be responsible for selecting and Directorate, which is conducting supervising the conduct of the a "Mass Mobilisation for Eco-two political parties (yet to be nomic Recovery", Self-Reliance established) which will be and Social Justice - known as allowed to contest the first round MAMSER - has an uphill battle. of party political elections at the The elections were marked by

as is the Directorate of Social Mobilisation which has the formidable task of "morally and spiritually uplifting the nation, in istration is determined to press order to reduce, if not eliminate, ahead with the next stages of a those disagreeable features of return to civilian rule. Nigerian politicians whose short-

every form of malpractice from has shown that every town, state ballot-rigging, electoral violence, murder and arson, abuse of office to interference and lawlessness.

and of next year.

A Constitution Drafting Comtration lists, allegations of stuffed.

Government, a valuable "learning experience", and the administration is determined to press. The ban on party politics is ahead with the next stages of a scheduled to be lifted in 1989, fol-Vital to the exercise is an accu-

comings, says President Baban rate census, an operation fraught gida, have embraced almost with difficulties. Past experience and region seeks to exaggerate its population for a variety of motives, ranging from the rivalry between Christians and Moslems to the fact that the allocation of Pederal revenue to the country's 21 states is partly determined by population distribution.

But as President Babangida observed: We cannot run away from counting ourselves simply because the exercise easily gets politicised". A National Popula-

It was nonetheless, said the rated which will debate and ratify the draft constitution which will be promulgated in early 1989. lowed by an announcement in the third quarter of that year of which two political parties have secured recognition.

The first round of polling on a party political basis takes place towards the end of 1989 when local government elections take place. Elections for state legisla-tures and governors are set for the first half of 1990. Nearly two years later (1991 is set aside for the census) voting for the Federal legislatures - Senate and House of Representatives - is scheduled, to be followed by the presidential

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NIGERIA 3

A SUDDEN SWITCH of economic strategy towards the end of last year has left a question-mark hanging over Nigeria's structural

day Match 7 %

adjustment programma.

After skilfully implementing radical, painful and unpopular economic reforms, the Bahangida administration suddenly sucpolitical pressures to reflate the

By any yardstick, both the timing and the extent of the reflationary package embodied in the January 1988 budget were unfortunate. While there was - and is sure of reflation, there is a very real danger of the hard-won months being undermined by a combination of excessive aggre-gate demand, rapid inflation and a depreciating naira.

Since the World Bank-sponsored economic recovery programme was launched in mid-1986, the Government has revoment primarily by abolishing import, exchange and price con-trols, liberalising and deregularing the banking sector and shift-ing the entire pattern of economic incentives in favour of agriculture and those manufacon domestic inputs.

After depreciating 44 per cent in 1986, the naira fell a further 67 per cent last year, eliminating most of the currency over-valuation that had previously bedevilled the economy.

Inevitably, such far-reaching reforms created both political and economic animosity - from relied on their preferential access to foreign exchange to reap rich rewards; from the Lagos customs officials whose sources of supple peared; from western multina-tionals in the vehicle-assembly pete with imported cars and, above all, from the many thousands of people who have been declared redundant and whose living standards have been fall-

It was a measure both of the gravity of Nigeria's economic plight and the courage of the Babangida administration that it tant criticism and unpopularity. The President had taken on board that there was just no via-

Tony Hawkins examines the latest changes in economic strategy

Anxieties over new budget measures

		1985	ayments	- T	
					1987, 60
Exports		12.6	6.8		7.4
of which oil	· - ·	12.2	6.4		6.9
Imports:	• .	8.3	6.7	'	5.7
Trade balanc	•	4.3	0.1	ſ	. 1.7
byvisibles (ne	4	-4,0	-3.6		-3.4
Current acco		0.3	-3.5		-1.7
Capital inflore		21	1.5		1.4
Capital outlie	45	-1.7	-5. 1		-2.6
Net capital	•	0.4	-3:6	_	-1.2
Overall balan		8.7	· -7.1		-2.9
Interest paym		-22	-2.1		-2.2
Debt repayme	inte .	-1.7	-24		-2.6

		Course: Independent antiquates
Foreign	exchange b	oudget (Sbn)
		1968 1967
Off exports Private sector non- Other Loans/investment Total		5.5 6.9 1.2 0.5 0.25 - 0.5 1.4 7.4 8.8
Imports (FEM) Other imports Debt-servicing Contingencies and I twisibles Total Balance	rederives	3.9 5.2 1.2 0.5 1.7 5.0 0.6 - - 1.0 7.4 11.7

Ex	External debt		1987	
· · · · · · · · · · · · · · · · · · ·				USSbe
Peris Club.				
Official creditors		٠		- 8.0
Arrears/rescheduled	claima			. 2.8
Total Paris Club	•		100	16.8
Multilateral agencies			· - · ·	2.4
Other official	•			2.0
London Chib Commer	. اعلت			
Bank creditors				3.4
Arrears/rescheduling	6			2.6
Total London Chub	-			5.9
Promissory notes				4.9
Short term loans				0.2
TOTAL				26.2

and the Fund programme expired Club official creditors but the without a successful review. But process of reconciling short-term important targets were met such claims has been very slow, as the merging of the official and thereby further delaying the reauction market exchange rates opening of export credit cover to deregulation of interest rates.

After protracted negotiationsment programme (SAP) has run
respect of uninsured debt was
up against some serious snags.
Under the 1986 agreement with
the International Monetary Fund,
the fiscal deficit was targeted at 3
per cent of GDP, but in the event

respect of uninsured debt was deadline for the signing of bilatrespect of uninsured debt was deadline for the signing of bilatrespect of uninsured debt was
while Nigeria's rescheduling.
Club of June 30, 1987 was
extended to February 29, 1988 and
of commercial banks became even this latter date was not met
effective from December 1987.

Illustrates the relative short-

it was more than 10 per cent. Bilateral agreements have been Credit ceilings were missed, too, concluded with 12 of the 19 Paris

The snail's pace at which These achievements notwith-the long-running dispute over the rescheduling agreements have standing, the structural adjust-rescheduling of trade arrears in been reached — the original

harm than good by postponing access to new money, putting back the start of the next round of rescheduling discussions and further damaging Nigerla's already much-tarnished interna-tional creditworthiness.

Given the severity of Nigeria's immediate cash flow difficulties, it is imperative to accelerate the process. Last year's gross inflow of capital was only N1.2 bn against a targeted N2.75 bn, leaving a net capital outflow of N1.25bn. Yet in Lagos one is struck by an apparent lack of

It is easy to sympathise with the decision to reflate since real Gross Domestic Product is lower now than in the mid-1970s, so that real per capita incomes have fallen by more than a third in a decade. The living standards of urban wage-earners halved in the first half of the 1980s and, while there are no reliable unemploy-ment figures, labour surveys suggest that the unemployment rate trebled from 4.1 per cent in 1979 to 12 per cent in 1986. The Cen-tral Bank's figures show a 50 per cent increase in registered work-

Interpreted literally, these surveys point to 4m unemployed out of a labour force of some 34m. There is some - marginally reassuring - evidence to show that in recent years, as redundancies grew in the urban areas, return migration to the villages gathered momentum, increasing the rural labour force by as much as 25 per cent - a trend accentu-ated by the fall in the naira and the enhanced profitability of agri-

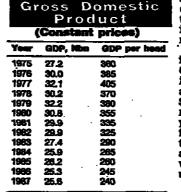
The reverse side of this coin, though, is the apparent correla-tion between education and unemployment. Urban unemployamong secondary school-leavers while graduate unemployment is put at around 9 per cent, mainly reflecting the 150 per cent increase in graduate numbers in Given this bleak situation, it is

hardly surprising that the Government should have been anxious to reflate. Real growth in the Nigerian economy is officially put at 1.2 per cent last year, mainly attrib-

sector was largely offset by a

tain outlook for oil exports.

Officials believe that even with a depressed oil market, the com-bination of domestic reflation and a normal agricultural season should ensure real growth of at least 4 per cent which would be the economy's best performance



However, this growth target may be jeopardised in two main ways — by the balance of pay-ments situation and inflation. The 1988 foreign exchange budget projects earnings from oil of some \$5.5bn, down almost 20 per cent on 1987 revenues, though this will be supplemented by a generously-interest \$1.2bn in pri-vate sector non-oil exports compared with \$500m last year and \$250m in public sector non-oil inflows. Loans for balance of payments support will provide an extra \$500m, making \$7.4bn in all.

Imports are forecast at \$5.1hm with the foreign exchange ano-tions (FEM) absorbing \$3.9bn while the private sector's non-oil export earnings of \$1.2bm will be channelled into imports and payso-called autonomous funds market. \$600m is set aside for contingencies and rebuilding Nigeria's depleted foreign reserves which at the end of last year were down to three weeks' import cover. Only \$1.7bn — about 25 per cent of projected export earnings — is earmarked for servicing foreign debt compared with actual post-rescheduling obligations in the utable to an estimated 10 per cent rescheduling obliga increase in manufacturing production. Growth in the non-oil ratio of 74 per cent. region of \$5.7bn or a debt-service

reschedulings nor the new loans where transport costs are a major bate this situation unless export is hanging fire pending agree-

Similarly, further reschedulings with the Paris and London Clubs are not going to be agreed in the absence of a new IMF agreement, while the proposed amount importance at this juncture, it is no more than the tip of exchange rate.

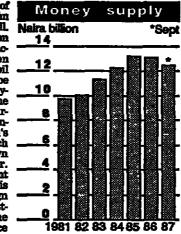
In any event, while the domestic fuel price issue may be of parburching to fuel proposed amount importance at this juncture, it is no more than the tip of exchange rate.

1987/88 budgets (Nbn) from commercial banks will cer-tainly be delayed unless Lagos and the Fund reach agreement within a month, which seems

It is estimated that even with an IMF agreement and the \$500m from the World Bank, Nigeria would still face a financing gap of \$1bn. This gap would be closed by the \$320m from the commer-cial banks, \$200m from Japan, \$220m from the African Development Bank and project lending by both the World Bank and the

export tredit agencies.

One issue above all is likely to dominate the IMF/Nigerian discussions — namely the Fund's insistence that the domestic petroleum price be raised - over a relatively short time-frame -.



age of expertise on the Nigerian steep 17 per cent decline in ofl Nigeria must both reschedule its to bring it into line with export side.

Such delays are doing more production, attributable to the substantially more than the needed to reach export parity and the substantially more than the needed to reach export parity and the substantially more than the needed to reach export parity and the substantially more than the needed to reach export parity and the substantially more than the needed to reach export parity and the substantial substantially more than the needed to reach export parity and the substantial drought. 1968 is expected to be a \$500m envisaged in the foreign depends, of course, on the ruling supply by a factor of three to one far better year, despite the uncer- exchange budget if a forther world market price, but at cur- at the fortnightly auctions, the build-up of arrears is to be rent levels the domestic price rate can only continue to

> will be forthcoming in the factor in the household budget is earnings respond far more posi-absence of a new agreement with an extremely sensitive political tively than seems likely.
>
> Inflationary pressures will be existing policy disagreements
>
> Some Nigerian officials insist
> with the World Bank. Indeed, the
> disbursement of the first tranche
> of the World Bank's second strucbut its timing has become a
> tural adjustment loan (of \$500m)
>
> Major political issue since the
> tural adjustment loan (of \$500m)
>
> Some Nigerian officials insist
> in the wake of the public sector
> pay rises which will be followed
> by a general increase in private
> sector wage levels of at least 15

> > on the man in the street on the IMF's instructions.

exchange rate resistance levels. Bankers are adament that with the free market autonomous dollar and demand outrunning verted. would have to be increased about weaken. The Government's refla-The reality is that neither the 150 per cent, which in a country tionary policy is bound to exacer-

prevent it from going below 25 US cents. But, inexorably, market

forces have continued to nudge

the rate downwards and N5 - or

Bebangida administration cannot to 20 per cent, and surging pro-afford to impose further austerity duction costs reflecting higher

gre, it is n	o moré man me	mp or exchange rate.	
	1987/88	budgets (Nbn)	
	1987 budget	1987 est outcome	1988 budget
Revenue Spending	15.6 17.6	19.6 30.6	15.7° 24.3
Deficit	2.0	11.0	8.6

the iceberg. There are many other tough and unpalatable IMF and World Bank - both of measures that must be taken, which have a powerful vested ranging from swingeing increases in electricity tariffs to higher rall-way rates and fares and the gradual elimination of overmanning that safe to Lagos. Ultimately,

ual elimination of overmauning throughout the public sector. Much could be achieved through the promised commercialisation and privatisation of the 96 parastatals already planned though here, too, the administra-tion is dragging its heels and expectations have, yet again, run ahead of performance. Commerci-alisation has major attractions to alisation has major attractions to moratorium route are simply

reflation is bound to have been efficient - economic growth, but under the microscope with the there is still a long, long way to Fond arguing that any loss of go.

control over domestic spending is bound to undermine the foreign ment is not a two- or three-year

A year ago, Nigerian ministers abort now would not only jetti-were arguing that N2.5 or - at a son the hard-won gains of the pinch - N3 to the US dollar was last two years, but put the couna realistic exchange rate for the try back on the unrewarding dollar. Last year, various strata-road of austerity without adjust-gens were adopted to slow the ment that it travelled in the early rate of naira depreciation and 1980s.

cal and monetary discipline and governments that believe they can spend their way out of their political difficulties are kidding both themselves and their elec-

the extent that it "depoliticises" untenable — popular in the pricing decisions for utilities.

Clearly, there is much more to short-run though they undoubted and a return though they undoubted are simply untenable. They need to short-run though they undoubted are simply untenable are simply untenable. They need to short-run though they undoubted are simply untenable. They undoubted they are simply untenable are simply untenable. They undoubted they are short-run though they undoubted they are simply untenable.

currency auctions by depressing programme, but one that must the naira to politically-unaccept-last well into the 1990s if its full potential is to be realised. To

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Budget reaction

Second thoughts after the euphoria

NIGERIA'S 1988 budget has provoked a mixed response of short-lived euphoria and longerlasting gloom. The euphoria was evident among Nigerians who, mistakenly, interpreted the Government's reflationary package structural adjustment pro-

After all SAP - as it is called has throughout been billed as a two-year programme, ending in

There was euphoria, too, from the labour unions which welcomed the announcement of increased take-home pay and fringe benefits in the public sector and the prospect that reflation would reverse the five-year downtrend in formal sector

employment.

But as the budget was more closely scrutinised, so the euphoria has all but disappeared to be replaced by outright concern amongst businessmen, bankers and economists questioning the

Let go of my leg!

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cate stage of Nigeria's economic rience in many developing counrehabilitation program To be fair, it had long been

apparent that the 1988 budget become intolerable when the would have to contain a substantial reflationary element. The social and politial consequences of falling real wages and living nounced because a new agree-standards, mounting unemployment with the IMF is essential if ment and above all, the need to swallow some bitter pills in the form of higher prices for domes-tic fuel and many parastatal services, such as electricity, transport fares and telephones dictated some compensatory

At issue was not so much reflation itself as the extent to which the economic pump should be large budget deficit and an accommodating and expansionist

real danger that excessive refla-tion will undermine much that has already been achieved since

"self-liquidating fund" — the N2.5m to be borrowed from the Central Bank — is deducted, the revenue forecast for 1988 is little different from that for last year. You leave the Subsidy suggesting that Lagos may well have under-estimated its potenalone! There are, as yet, no official figures for the actual out-turn of the 1987 budget, but bankers believe that revenues were some 25 per cent above forecast while spending outstripped budget appropriations by a huge 75 per cent margin. Accordingly, the budget deficit was probably closer to N11bn – about 11 per cent of GDP – than the N2bn

> Reasons for this include overruns on government spending, the siphoning of petroleum earn-ings into "dedicated" accounts to finance major capital projects that were not included in the budget and the fact that the Federal government took responsibil-ity for the external interest and debt payments of both the state

pressures on the exchange rate

authorities lose control of aggre-

gate demand. In Nigeria's case, the dangers are the more pro-

structural reform is to succeed.

Total spending this year is

over-states the real increase which when adjusted for Naira

depreciation is closer to 10 per

a much more modest 17.5 per cent to N18.3bn, implying a decline in real receipts when

Naira depreciation is taken into account. Indeed, if the so-called

self-liquidating fund" – the

On these numbers, the 1988 budget looks to be a major improvement on the actual 1987 out-turn, suggesting that some of the gloom is being overdone. If Lagos can stick to its 1988 targets, the effective budget deficit would be at least 20 per cent lower than last year while as a ratio of GDP it would come down from about 11 per cent to around projected at N24.3hn, which includes the special reflationary package of N2.5hn – an increase of 38 per cent on last year's budget estimates. This substantially

8 per cent. Nigerian officials argue that the N8.6bn is very much a worstcase scenario, since they believe revenues will be substantially higher than projected, while spending is likely to fall behind target especially in the case of the N8bn capital budget and the N2.5bn set aside for reflation.

Higher revenues are anticipated from company taxation but mainly from customs and excise revenue which could increase by as much as 50 per cent - more than Nibn - following the deci-sion to shift revenue collection from the customs department, where what is euphemisticallytermed "revenue slippage" is endemic, to the banks. Some Nigerians argue also that oil receipts, based on an oil price of US\$16 a barrel, are conservative — a view not shared outside the

oil revenues could well fall below Capital spending - on such projects as the N700 mln set aside for improving transport - could well fall short of budget because

Government where it is felt that

the foreign exhange is unlikely to be available to meet such though is the domestic fuel price. If this is raised early in the year, then the budgetary gap will be reduced, though much will depend on both the timing and the extent of the increase.



SAP. Certainly, SAP has been under-pinning this with jeopardised not just by the reflationary fiscal package that adoption of commercial policies threatens to become highly infla-tionary, but by the 1987 fiscal and and decisive steps towards privamonetary performance which overshot IMF programme targets by wide margins.

as some have, already - that the to bite the domestic fuel price 1988 budget has undermined bullet within the next few weeks,

and decisive steps towards priva-tising others, the budget could still turn out to be a temporary hicongh along the rocky road to structural change.

Insurance industry

Braced for a heavy agenda

agenda for the Nigerlan insur-ance industry in 1988. The first, by no means new, is the industry's under-capitalisation - a problem exacerbated since the currency auctions were launched in September 1986 by the steep in September 1980 by the steep depreciation of the maira. The second is the challenge of privati-sation of some of the industry by the end of the year.

s Ebong in the daily newspaper, Punch.

opposition to the Government's efforts to reduce

idy of domestic fuel prices is reflected in this cartoon

Traditionally, one consequence of under-capitalisation has been the need to place large chunks of reinsurance with overseas insur-ers and the fall in the naira has quadrupled the local currency cost of such foreign cover. At the insured assets, especially those with a high import content such as machinery or motor vehicles, has risen sharply.

Many insurance companies,

though not the major players with foreign shareholders, have been slow to react to this by insisting on realistic revaluations of assets and substantially higher on reassuc revaluations of assets and substantially higher insurance premiums. In this new situation, insurers need to increase their naira revenue by a some need or the potential owned by Nigerian businessmen. The remaining 35 companies being iningenously-owned by Nigerian businessmen. The remaining 35 companies of the industry owned by Nigerian businessmen. The remaining 35 companies of the industry owned by Nigerian businessmen. The remaining 35 companies of the industry owned by Nigerian businessmen. The remaining 35 companies of this owner is industry owned by Nigerian businessmen.

factor of four or five both to meet the increased naira cost of inter-nationally-placed reinsurance and also to cover themselves against claims on Nigerian assets where replacement costs have

Even without these exchange rate-inspired problems, some insurers were already facing very insurers were already facility very serious asset valuation difficul-ties arising from misplaced prop-erty speculation over the last 10 years. Thuys, insurance compa-nies owning half-empty office blocks are finding difficulty in keeping up interest and capital payments. Some idea of the potential

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cent). The balance is made up of general accident and motor (each bout 18.5 per cent) and marine and aviation (16.5 per cent).

At the end of last year some 92 companies were operational — the largest single group of 57 companies being indigenously-

ernment-owned National Insur- privatisation itself. ance Company of Nigeria (Nicon), which has a 25 per cent market share, followed by the America International Insurance Company with 9 per cent. Foreign particl-pation in the insurance business is currently limited to a maximum of 40 per cent equity ownership under the terms of the Nigerian Enterprises Promotion Decree. However, this situation is set to change with the Federal Government's 1987 decision to privatise the Nigerian insurance

per cent of this relates to fire, motor and general accident cover, where the import content of insured assets is likely to be substantial.

The most important single category of insurance is the life business, accounting for 25.5 per cent of premium income in 1986 followed by fire (just over 20 per cent of this relates to fire, the major firms with government to a firm with government or foreign shareholdings. The 57 private Nigerian companies of major imponderations of insured assets is likely to be substantial.

A number of major imponderations or foreign shareholdings. The 57 private Nigerian companies with government of major imponderations or foreign shareholdings. The 57 private Nigerian companies with government is surrounds the privatisation exercise in the industry including the government is willing to liberalise the indigenisation decrees and allow foreign insurers to increase their equity stake above the existing 40 per cent level and, of course, the actual process of

The Government has hinted that it will relax the indigenisa-tion rules in some sectors though whether this will extend to the insurance industry is unclear. It seems likely that insurers will be required to privatise through the stock market, with employees being allowed to take up some of the federal or state government equity that will become available.

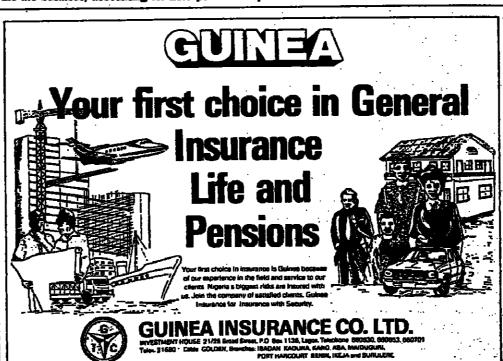
Government's 1987 decision to privatise the Nigerian insurance Government which bought into industry with the important the industry at bargain basement exceptions of Nicon itself and the prices in the 1970s when it pur-

chased shares at par — well below their real values — will want to sell its holdings at some-thing akin to market prices. industry sources believe that insurance companies rank among the more attractive privatisation opportunities, believing that there will be a strong local demand for the Government's shares - always depending on the price at which they are offered - and that a government, so very obviously strapped for

so very obviously strapped for cash, will be keen to float off some of its more viable assets as soon as possible. Clearly, the Government will have to pitch the offer terms very carefully. It will want to sell its equity at levels that will contribthe significantly to closing its budgetary gap but without encouraging foreign owners to sell their own stakes in the insur-



Crowds throng the streets of Lagos. The most important single category of insurance in the life business, accounting for 26.5 per cent of premium income.



Banking

Prospering despite recession

Nigerian economy that has prosstructural adjustment, it is the banks and more particularly, the merchant banks. As one avenue of profitable activity has closed, so new opportunities have arisen. Ironically, even when the banks were substantially underlent their liquidity ratios averaged 66 per cent in the first half of the 1980s - they were still very profitable because they were able to invest their low-cost or even costiess funds in government securities earning at least 8 per cent.

The 1986 liquidity squeeze, whereby the banks were required to deposit these so-called counter-part funds - "free deposits" in

respect of arrears owed to foreign suppliers - with the central bank, put an end to this situation, reducing the average liquidity ratio to 44 per cent. But no sooner had this profitable avenue closed than the foreign exchange auction market, with its attractive risk-free returns, was estab-lished. Banks are able to earn 2.5 per cent on the auction each fort-

This market and the substantially more lucrative, though ris-kier, autonomous funds foreign exchange market, have done cations for new banking licences 1987 the application rate was still embarking upon a much more higher.

However, not all the banks have benefited. Early last year, eight of the smaller — mainly state-owned banks — were

The combination of the launch-Nigerian game, putting a premium on technical expertise—an expertise often absent in the shift to an easier monetary smaller banks. As liquidity tight-ened in late 1986 and early 1987 and the authorities increased the liquidity ratio from 25 per cent of

Fund programme – has been the switch from negative to positive real interest rates. The real deposit rate swung from minus as a social considerations. with an International Monetary

positive.
Since the mid-1980s, the central occlerating inflation and the bank has adopted an increasingly activist monetary policy stance.
When the currency suctions were launched, monetary policy was tightened in an effect to contain tightened in an effort to contain

pered through recession and growth announced early in 1986 was lowered to 8 per cent and this was maintained last year though the merchant banks were allowed to increase their lending from 50 to 55 per cent of their total assets.

This tightening of the credit guidelines coincided with a sharp increase in private sector credit demand since importers are required to deposit naira when bidding for foreign exchange while imports were also four times as costly in naira terms. At the same time, government credit demand started to increase, reflecting the widening budget deficit, with the result that credit growth exceeded target rates.

The authorities responded by

tightening the monetary policy screw yet again. Liquidity ratios were raised to 30 per cent for the commercial banks and lending rates rose sharply to 18 per cent — well above the inflation rate of

Despite this, domestic credit is estimated to have increased some 14 per cent last year - roughly per cent. Much of this credit explosion apparently occurred in the final quarter, mainly wonders for bank earnings. It is reflecting the large budget defi-hardly surprising, therefore, that there should have been 18 appli-cations for way benking licenses. restrictions seemed inevitable, but towards the end of the year. in 1986 (up from 12 the previous but towards the end of the year, year) while in the first half of the authorities changed tack,

Accordingly, the 1988 monetary guidelines provide for aggregate bank credit growth of 8.1 per cent almost double last year's tarunable to meet their minimum get. Private sector credit is foreliquidity ratios and had to be cast to grow more than 13 per placed under special central bank will expand by 2.5 per cent as ing of the currency auctions and against 1.5 per cent in 1987. In the deregulation of interest rates addition, monetary policy was also eased with the reduction to

depreciating exchange rate high-lights both the December 1987 deposits to 30 per cent, so the economic policy U-turn and the entire banking environment Government's problems in justi-shifted from one of easy money, low interest rates, and excess shift to monetary expansion can liquidity to a fiercely competitive August's credit clampdown on

All the economic fundamentals 4 per cal and social considerations. cent in 1985 and even with the increase in inflation last year, the real deposit rate remained firmly positive.

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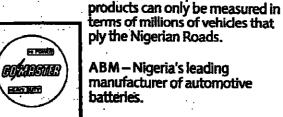
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NIGERIA 5

The privatisation programme

Thorny issues raised by policy reversal

IN A radical reversal of the coun-try's long-standing policy of has estimated that revenues from increased government participa-full privatisation might be as lit-tion in the economy, Nigeria has the as N150m (\$35m).

March . Sa

ties, 70 autonomous bodies such prises on the partial privatisation as research organisations, plus list. These are disappointinglyhospitals and universities.

To this list can be added about 100 commercially-oriented enterprises in which the Government has varying levels of equity par-

Although the commercial enti-ties are managed by semi-autononous boards, the Government lays down operational guidelines and has the major say in investment, pricing and employment

For the purpose of the privatisation programme, govern-ment-owned businesses have been placed into five categories: ☐ 49 enterprises that are to be fully privatised — hotels, food and timber companies, breweries, dairies, insurance companies and

☐ 20 enterprises that will be partially privatised implying that the Government will retain an equity holding. These include all newspapers and several of the country's major parastatals such as Nigeria Airways, its steel mills, the oil-marketing compa-nies and vehicle assembly plants.

□ 9 parastatals,including the Nigerian National Petroleum Corp (NNPC), the telecommunications authority (NITEL) and the National Insurance Corporation (NICON) that are slated for

full commercialisation.

18 enterprises will be parincludes the Nigerian Railway Corporation, the National Electric Power Authority (NEPA) and the two major steel operations – Ajackuta and Delta Steel

☐ Finally, one category such as educational and cultural institutions and the Water Resources Institute, will be left as public

not disclosed precisely how it of which only N45 will implement its privatisation accounted for by loans.

75 17 N E-

identified 96 companies that are to be either privatised or commercialised.

Assuming that the Federal Government retains a 25 per cent stake in those enterprises scheduled for partial privatisation, the bank believes that about N1.3hn governments, 150 local authorisale of shares in the 20 enterprises on the partial privatisation.

So far the Government has not disclosed precisely how it will implement its policies for nationalisation

low numbers when set against the estimated N22hn invested by the Government in the parasta-

At first sight, it seems that given the fact that privatisation will have to be phased over a number of years, the impact on the Nigerian budget delicit, estimated this year at N8.6bn, will be, only minimal. While this may be true in terms of revenue inflows, the full or partial commercialisa-tion of 27 enterprises could and should - have a major beneficial impact on federal govern-ment spending as a result of reduced subsidies

Detailed figures on the financial operations of most of the par-astatals simply do not exist, under-scoring one of the major obstacles to privatisation. Clearly, the parastatals will have to prepare audited sets of accounts before any sale of shares can be contemplated.

The sketchy data that does exist points to massive transfers from government to support the parastatals. Federal government loans to public corporations totalled N5.75bn during the 1980/ 86 period, though this was only 1936, government transfers to parastatals amounted to N830m of which only N450m

Acting in the belief that "good government is least government," the primary objective of privatisation is the combination of enhanced efficiency on the one hand and a major reduction in the drain on the public purse on the other. But these goals will not be achieved in the absence of new technology, vastly-improved

There is a host of tough policy decisions to be made. For instance, it will be important to instance, it will be important to maintain ethnic and regional balance in shareholdings which will considerably complicate the sale of shares. The whole issue of foreign ownership and investment will have to be addressed since, because of Nigeria's strained balance of payments and the need for fresh infusions of capital and technology into the depleted parastatal sector, foreign capital could play a positive role.

For this to happen, though, the thorny and emotive issue of the indigenisation decrees, that limit

ndigenisation decrees, that limit the extent of foreign equity own-ership, will have to be tackled.

There are many difficult tech-nical issues to be tackled too, including the timing and pricing of share sales and the mix of public share offers, private placings and foreign management con-

cialisation programme looks to be more important than pure privatisation since the really major financial and operational prob-lems are located in such enterprises as NNPC, NITEL, NEPA and the railways. Here, too, political issues loom

will imply sharply-increased tar-iffs and prices, an end to overmanning and sweeping changes at management level. at management level.

The good news is that the visitor to Lagos cannot fail to be impressed by the quality of management in many private sector companies. If this managerial talent can be attracted into the pub-

lic sector and allowed to operate

on profit-oriented lines, parasta-tal commercialisation could make

large since commercialisation

Tony Hawkins

THIS YEAR promises to be a currency market as the naira

So far, the auction system established in September 1986 has been remarkably successful, but as the naira rate falls increas-ingly below what many prominent Nigerians regard as realistic levels, the pressures for govern-ment intervention to stabilise the currency are certain to grow.

Ultimately, a country's exchange rate reflects the efficacy - or otherwise - of its fis-cal and monetary policies. The recent relaxation of both fiscal and monetary discipline and the abolition of pay restraint, sug-gests considerably higher inflagests considerably higher infla-tion this year — possibly reach-ing 25 to 30 per cent compared with 14 per cent in 1987.

Against this background, the naira is bound to continue to depreciate - a trend underscored by the substantial disparity between the fortnightly demand for foreign exchange and the

outrunning supply by three to one and that this is increasingly evident in the two parallel mar-kets - the so-called autonomous funds market and the "black"

Bankers argue that demand is outstripping supply by three to one

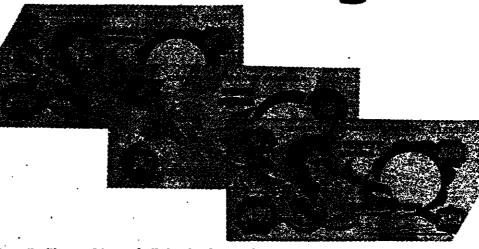
the authorities operated a threetier system. The first or official tier was the official exchange rate which handled government transactions - specifically debt-

The auction system comprised the second tier, while a third tier in the form of the autonomous funds market was established to handle earnings from non-oil exports, capital repatriation by Vigerians and autonomous inflows. A fourth tier existed in the form of the black market for

In the first few auctions the market rate was very close to that ruling in the black market of N5 to the dollar compared with an official rate of NL5. The auction rate fell to N4.9 in October 1986 reflecting a combination of dealers' inexperience and general market uncertainty, resulting in a wide gap between the lowe and highest bids of some N2.5.

Government intervention is being urged to hold the Naira exchange rate

The pressures for stabilisation grow



rate which had fallen to 10 per

By the end of 1986, the rate had firmed to N3.2 but by May 1987 it had slipped to N4 ending 1987 at N4.2. The effective depreciation least some ominous signs that the gap between the auction rate the gap between the auction rate the gap between the auction rate put at 40 per cent in 1986 and a and the freer autonomous funds further 68 per cent last year. and the freer autonomous funds rate which had fallen to 10 per

The first and second tiers were when the auction system was at a rate of N3.7 to the dollar and an estimated 75 per cent of Nigeria's foreign exc

Naira Naira per \$ against the



the auction rules - introducing the Dutch auction system - in an effort to stabilise the rate, but the signs are that the rate will stabilise only if, and when, the amount of foreign exchange available is increased.

cent late last year has started to The 1988 foreign exchange budget implies a fortnightly auction A similar comment applies to the black market rate which curof about \$150m which in the opin ion of many observers simply is rently exceeds N5 to the US dol-lar. The Nigerian authorities below N5 to the dollar, especially given the large budget deficit, the relaxation of monetary policy have been criticised for changing and increasing inflation.

> Other than by regaining their grip over aggregate demand through tighter fiscal and monetary policies or by borrowing abroad, there is little the authorities can do to hold the naira. Demand pressures in the foreign exchange market will grow this year in line with the reflationary strategy and with the entry of the parastatals into the auction

> The best hope for supplyside relief - apart from a recovery in oil prices - is an early agreement with the IMF and the World Bank that would unblock foreign credit lines. Without such an agree-ment, the near-term prognosis for the naira is gloomy.

Banking prospers

Continued from page 4:

central bank called in the amounts owed by Nigerian importers in respect of foreign exchange losses on trade arrears that arose before the naira auction was launched. That could place some of the banks in an embarrassing situation if their clients are unwilling or unable to make the necessary payments.

Outstanding obligations aris-ing from the build-up of arrears in the early 1980s are being split three-ways between the importers who are shouldering exchange rate risk prior to Sep-tember 1986, the Government which is picking up the post-auc tion exchange rate risk and the banks which are responsible for offshore interest charges to credi-tors. These obligations will cut nto bank profits to some extent.

Union Bank, one of the big three commercial banks, recently nnounced that it was making a provision of just over N60m for bad and doubtful debts in its 1987 accounts - equivalent to 20 per cent of pre-tax profits. The need monetary policy statement pre-cluding banks from paying diviiends unless their capital - net of provisions for bad debts - is at least 8.33 per cent of their

Doubtful debts aside, the underlying profitability of Niger-an banking is evident from the continuing rapid growth in the number of banks. In the first half of 1987 alone, four commercial banks were established, taking merchant banks, which now total 15. With 40 new branches being ed, there were 1,407 commer cial bank branches and 31 mer-chant bank branches. However, nany of the commercial bank branches, especially those estab-lished under the long-standing rural banking programme, are

A feature of recent developents has been the enhanced profile of the merchant banks. Whereas in 1980, merchant banks accounted for only 3 per cent of total deposits in the system, this ratio had trebled to 9 per cent by

Tony Hawkins

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In spite of the naira's devaluation and tariff revisions

Industrialists are still feeling vulnerable

MANUFACTURING industry's reaction to the revised tariff introduced in January underlines - once again - its belief that, even in the wake of the 75 per cent devaluation of the naira in the past two years, it still cannot

compete with imports. Understandable though this reaction may be, it highlights the seriousness of the industrial pol-icy challenge which Lagos must tackle if structural adjustment is

Industry complains that the tariff revisions announced in the January 1988 budget and which represent a retreat from the initial reform package of October 1986, have left it vulnerable to international competition. The tariff regime in place before 1986 provided high levels of effective protection with duties ranging from 15 to 60 per cent and an unweighted average in the region

Additional protection was available in the form of the out-right prohibition of more than 70 roducts and, from January 1986, a 30 per cent import surcharge. But towards the end of 1986, with the launch of the currency auction, a new outward-oriented approach was adopted. The number of banned imports was reduced to only 16 - mainly foodstuffs and textiles - and the average tariff reduced to 25 per cent. Needless to say, industry protested vigorously despite the essentially logical tariff structure which set a basic rate of 10 per cent for capital equipment while for raw materials and intermediate goods the rates ranged from 10 to 30 per cent. The tariff for most consumer items was reduced to 30 per cent.



ary 1987 and again in the 1988 budget, pushing the average level of protection back towards the 35

This was in line with World general level of tariffs in Febru

that industry was paying lower overall level of tariffs and a narduties on imported inputs and obtaining additional protection.

The aim of structural reform is to boost those industries with larger elements of domestic values and criticism by increasing the operations with very low values.

dstuffs being unloaded at Apapa quay and (right) work over the rig at Shell Petroleum's Oroni cliffold in Bendel state

There are signs that the new set of industrial incentives is working in favour of high local value-added activities.

tion and the variance between tariff rates. In addition to this basic tariff schedule, some items received additional temporary protection — to last for a year — countervailing duties were imposed on products susceptible to "dumping" and a surcharge reaching as high as 170 per cent ne-added. In essence, this implies an industrial policy that favours agro-processing activities — food products, textiles, furniture and leather goods.

on luxury items.

The policy-makers justified this new "interim" tariff on the ground that effective protection promotion loan to continued tariates remained high at a time iff reform in the form of a lower The dangers of basing an industrialisation strategy on imported inputs, over-valued exchange rates and high levels of protection are evident from the 10 per cent decline in manufac-turing value-added between 1981 and 1986. During this period, import volumes declined more than 60 per cent resulting in a 90 per cent output fall in import-de-

gest that industry's assessment of the new tariff is wholly negaists who have come out on top in the exercise. There is broad satisfaction, too, with the seven-year time horizon which allows for longer-term planning, while the establishment of a Tariff Review Board to iron out what industri-alists see as the many anomalies in the new system has also been widely welcomed. While it is far too early to iden-

cial estimates pointing to a 10 per cent rise in industrial output last year mainly reflecting improved capacity utilisation, look to be rather generous and some industrialists say that they are operating at no more than 55 to 60 per cent of their peak 1983-84 levels. None the less, it does appear that industrial activity last year

improved from its pre-auction levels, reflecting the beneficial impact of freer access to essential imported inputs. This was offset to some degree by the steep decline in effective demand, especially for high-priced consumer durables like motor cars.

tify any sustained structural on the positive side, too, there change in Nigerian manufacturise evidence of greater utilisation ing industry the signs are that of and investment in domestic the new set of industrial incentives is working in favour of high accelerated, albeit in an unplanded activities. Official value added activities of the control which is forming that the control which is forming. ned way, by import bans, such as that on malt, which is forcing brewers to use maize and sor-ghum. The consequential surge in the prices of these items should boost agricultural production this year though at the short-run cost of higher inflation. There is however, disappointingly little evidence of any tured goods and a Central Bank study suggests - predictably enough - that industrialists con-tinued to focus on domestic mar-

ket opportunities and import sub-stitution. The government's reflationary budget should boost industrial

output in 1988 with officials arguing that inflationary pressures will be cushioned by the substantial margin of excess capacity in industry. Officials believe that reduced unit costs arising from nigher throughputs will cushion the impact of increased raw material costs, higher customs duties for many firms and sharp-

Industrialists are less sanguine, though they still expect increased production and sales in 1988. One manufacturer warned that his company would have to "claw back" N10m - the equiva-lent of 70 per cent of trading prof-its - through higher prices and improved productivity in order to pay higher import duties on raw

Another industrialist commented that in 1988 he expected his turnover to be 50 per cent higher than in the pre-auction period, but given his dependence on imported inputs he needs a 400 per cent increase to stay ahead of the game.

As the naira sinks still lower -as seems inevitable given the wide disparity between the demand for and supply of foreign exchange - so many of these difficulties will intensify. But at the same time, restructuring will take place as firms move out of the low domestic value-added activities into those dependent on domestic inputs, especially in agribusiness. The danger is that restructuring pill by perpetuating protection of inefficient import substitution industries will slow, or even jeopardise, the long-run

Tony Hawkins

Capital investment

How multinationals may be tempted The Leventis acres

Nigerian economy depends upon significantly higher levels of investment, domestic and for-eign, than those experienced in recent years. The share of gross investment in GDP fell from almost 30 per cent in 1981 to 10 per cent in 1986 and when depre-ciation is taken into account net investment must have very low.
In addition to the underlying

reflationary strategy, three main policy initiatives designed to boost capital investment are being implemented. First, there are the domestic institutional reforms such as the plan to internationalise and improve the Nigerian stock Exchange, and the recent decision allowing banks to make limited equity investments in small and medium-scale enterprises.

A second highly-controversial in recent years, foreign direct and politically-sensitive thrust investment in the Nigerian economy has been running at only 3350m annually and making little investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input and investment in the Nigerian conomy has been running at only 3350m annually and making little input annual investment.

Bank strategy designed to reduce both the general level of protec-tion and the variance between

\$350m annually and making little to widespread takeovers of Niger-impression on the annual financian enterprises by western multing gap that currently exceeds nationals is fanciful it will take

modest improvement. Certainly the claim by Nigerian academics that liberalisation would give rise some years to rebuild interna-tional investment confidence.

One potential exception to this is the debt-equity swap approach which is the third policy thrust. Lagos has agreed in principle to a debt-equity swap programme though no details have yet been published. Major multinationals faced with the choice of helding faced with the choice of holding on to their promisery notes in respect of rescheduled trade arrears for 20 years at 5 per cent, or selling them in the secondary the possibility of reinvestment in terms, could be much more

One suggestion being can-vassed in Lagos is that foreign firms be allowed to cash in their dollar notes for naira at an exchange rate of N2.6 to the dollar - a discount of 40 per cent.

There are gains on all sides from such a scheme. Nigeria would be able to redeem foreign currency-denominated debt in local naira at 40 per cent below its face value at official exchange

Foreign investors could realise handsome gains by purchasing Nigerian paper in the secondary rket at an 80 per cent discount and reinvesting the proceeds in Nigeria thereby boosting output, employment and possibly exports. Trade creditors already holding the notes would be able to reinvest in their Nigerian operations on favourable terms and for those multinationals that are in Nigeria for the long haul, this could well turn out to be a very realistic strategy.

Other potential advantages include the inducement to repa-triate flight capital, and the possibility that debt-equity swap funds might help fund the priva-tisation programme thereby alle-viating potential "crowding out" problems in the domestic capital market. New equity issues on the Nigerlan capital market have averaged less than N100m annu-ally in recent years, highlighting the market's limitations in terms of raising sufficient capital to finance the privatisation pro-

There are some major draw-backs, too - not the least of which is the danger that the extra naira funds generated in the swap process will be recycled into the foreign exchange market thereby further depressing the naira exchange rate.

Such a programme could also become highly inflationary because of rapid growth in the

Furthermore, it is unlikely to succeed in the absence of major changes to the existing indigenisation decrees and its succes depends also on foreign investors being able to identify attractive investment opportunities, prefer-ably in the export and efficient

Big farming operations

WHEN Lee Johnson was 14, he began farming rice in his native Texas, as three generations of Johnsons have done before him. Today he lives in a ranch-style bungalow lost in the middle of a 28,000-acre farm. The Lone Star flag of Texas flutters proudly by the front door, rows of huge comhine harvesters and tractors are lined up beside 60-foot silos, and rice and maize fields stretch away to the horizon in every

As besits the Texan ethos, everything here is hig. The only thing missing, in fact, is Texas itself — 6,000 miles from home, Mr Johnson is manager of Maize Products farm, the largest single agricultural operation in Nigeria. Maize Products is a division of the Nigerian Bottling Company (NBC), a subsidiary of the Leven-

Beginning as a small textile import firm in the 1940s, Leventis today employs 15,000 Nigerians. It controls 17 major Nigerian manufacturing, processing and distribution companies, four of which are quoted on the Nigerian Stock Exchange and have over 100,000 shareholders. The group has established joint ventures with such giants as Sanyo, Honda and Continental Can. It is the sole bottler and distributor of Coca-Cola products in Nigeria, and holds franchises from over 50

multinational corporations.

From the 1950s Leventis has put great emphasis on vertical integration and the use of locally produced raw materials for man-

ments are necessary and mistakes will be made, but previ-ously lacking incentives and mar-kets are now there. Since the Naira devaluation, increased food import prices have encouraged local readuction. The han on local production. The ban on grain imports has also been a tre-mendous incentive."

Establishing an agro-business in Nigeria is not done without difficulty and expense. Initial investment costs in intrastrucinvestment costs in intrastruc-ture, imported machinery and processing equipment are high — Leventis this year will spend N21m on two grain processing plants alone. Cutting through complex tenure problems and acquiring land can be difficult and time-consuming. And lack of greaties in large-scale forming expertise in large-scale farming techniques meens Nigerian companies rely heavily on foreign

From its farming operations Leventis will now be able to sup-ply inputs to its various brew-eries, livestock operations, super-markets and fruit and vegetable businesses, without going to sup-pliers outside the group. Any excess production will be sold on the open market: But Leventis does not believe that it and such similarly involved companies as UAC, Guinness, Sona, Rock Breweries and John Holt will supplant the small-scale pessant farmer who currently supplies 95 per cent of Nigeria's food staples. smaller companies nor in the interest of the majority of Niger-

After the dramatic fall in oil prices in the early 1980s, large vigerian firms were, as one company executive now puts it, "nudged" into agro-industry by regimes which had long ignored agriculture. While many complied with reluctance and did so primarily in order to gain government favour and valued farm. Also being assembled on the complete to the complete

Beginning its first agricultural venture in 1978, Leventis now runs farming operations in seven locations in Nigeria through NBC. While some are experimenmost diversified commercial con-cerns in the country. ber of years before they come on-stream, Maize Products farm, plants, will be fully operational

> The farm is situated on 13,000 hectares at Agenebode in north-ern Bendel state. Started in 1985, it currently has 3,700 hectares are devoted to maize cultivation and 1.55th are used to grow wet-land rice. On the remainder citrus fruits, cowpeas, soya, and pineapples are grown. Last year maize and rice production together totalled 7,000 metric tonnes, 30 per cent down on tar-geted production because of

irregular rains. produced raw materials for manufacturing purposes. But it is only recently that it has begun applying the same principles to its food processing and distribution operations.

Mr Tasso Leventis, a senior director of the group, is enthusiastic about his company's move into large-scale commercial farming. "This is a new field of activity in Nigeria," he says. "Experiments are necessary and is in the large-scale operations are kept, as littered with large-scale ventures that have become large-scale ventures that have become large-scale fall-antis Group. Hybrid maize seed, the large-scale ventures that have become large-scale fall-antis Group. Hybrid maize seed, the large-scale ventures that have become large-scale fall-antis Group. Hybrid maize seed, the large-scale ventures that have become large-scale ventures of the ray become large-scale ventures that have become large-scale ventures of the large-scale ventures o Inputs and downstream pro-

toir and packing plant. The remainder of the maize will go to tis company that since the import ban on barley has been

plied with reinctance and (in so the primarily in order to gain government; favour and valued farm. Also being assembled on the agreement sees its move into agree is in the industry as a response to opporting the property of a Nigerian public whose taste in rice in recent tending and a logical extension of years has been influenced by American investigation. American imports. Storage silos with a holding capacity of 17,000 metric tonnes are already in use.

> **Everything is big about** operation. The only thing missing is Texas

investment in farm machinery operations will not begin to show profits before 1991. The price of imported equipment is, in fact, the largest single factor inhibiting the development of large-

Farming anywhere in the world is a risky, long-term business, and the Nigerian past is littered with large-scale ventures



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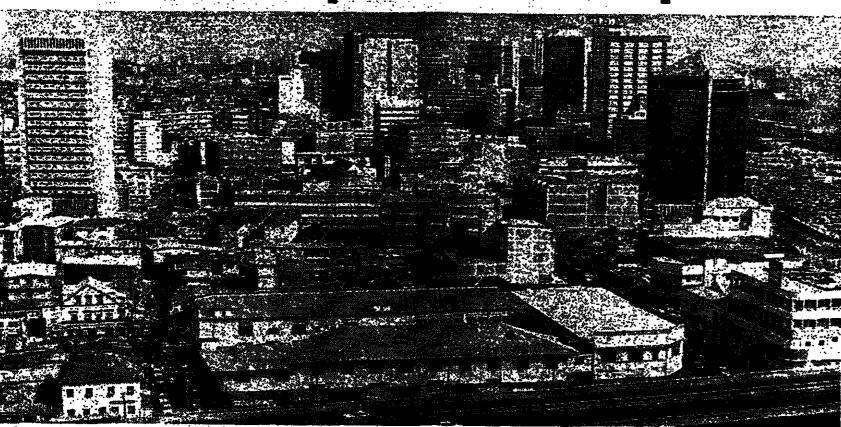
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nday March 13

Nigeria's foreign trading partners live in hope of a sustained recovery in the long-term, says Peter Montagnon, World Trade Editor.

Chronic squeeze on imports



IF THERE is one factor that conment of Nigeria's foreign trade prospects, it is the weakness of the oil price which has slashed

The result has been a corre-sponding and chronic squeeze on the Nigerian market much of the glamour and potential it held for Western exporters at the height of the boom in the early 1980s. Yet Nigeria still retains a cer-

tain lure. With a population of over 100m, it remains the largest market in Black Africa. Its trading partners live in hope of sus-tained recovery, though increasingly these hopes are now pinned on implementation of the Gov-ernment's structural adjustment programme that should revitalise its non-oil sector rather than any uncertain recovery in oil reve-

Notwithstanding Nigeria's efforts to liberalise its international trade regime over the past 18 months, however, low oil revenues and a continuing shortage of foreign credit brought about a

Nigeria's foreign trade last year. \$6.8bn, giving a surplus for the

year of \$1.7bn.

While non-oil exports, particularly of agricultural goods led by cocoa, have been creeping up, they still amount to little more than \$500m, which means that Nigeria remains dependent on oil feeting 90 per cent of its export.

for over 90 per cent of its export On the import side its prob-lems have been compounded by the fact that its main suppliers continue to be countries whose currencies have appreciated

against the US dollar in which its oil revenues are denominated. The UK is still Nigeria's largest single supplier with sales total-ling £353m in the first nine months of last year compared with £424m in the same period of 1986. It was followed by West Germany and France with sales of £232m and £175m respectively. Sales by both these countries fell steeply during the period, how-ever, with respective declines of

31 and 24 per cent.

These figures illustrate clearly how badly Nigeria needs to evelop its non-oil exports if it is to finance a recovery in imports of raw materials and capital goods without which there is lit-

tle prospect of sustained industrial revival. Manufacturing industry has so far shared little in the slow growth of non-oil exports.

growin of non-oil exports.

The steep devaluation of the Naira, which has sunk to around 25 US cents from parity with the dollar in January 1986, should have made local products more competitive. In fact, export mar-kets are developing for only a few local manufactured products, notably textiles and, to a very limited degree, beer. Even these

are growing very slowly. Instead, the Government is having to contend with continuing pressure from industry for maintained protection against

Most manufacturers in Nigeria rely heavily on imported compo-nents and raw materials. For them the key is to ensure that component supplies carry a rate of duty less than finished products, but the full-scale review of tariffs introduced as part of this year's budget still left some sec-tors dissatisfied.

The most vociferous complaints have come from the heavily depressed vehicle assem-bly sector. According to Mr Olapado Fafowora, executive director of the Manufacturers Association of Nigeria, the new tariffs "should be received positively on the whole, but there are

certain anomalies." He said the association had

industry, while a further indicate ties came with an advertisement export revenues to less than a in the Lagos business press last third of their peak \$26bn in 1980. month by the light bulb manufac turing industry which claimed it was being undercut by imported steep increase in tariffs or imported bulbs and a correspond ing reduction on levies on foreign

> The main thrust behind the new tariff policy was to pre-empt such complaints through the prolocal materials are readily available, import protection remains strong, but it is generally weaker where industry is forced to rely or imported parts and materials.

on imported parts and materials.
There is much anecdotal evi dence that this has led industry into an intensive search for local supplies. Parts of the food pro-cessing industry are reportedly switching to local eggs instead of imported egg powder, the cement industry is using more local limestone and the ceramics industry more local kaolin

In this year's budget the Gov-ernment announced that extra According to International landing charges would be Monetary Fund figures, imports imposed on imported goods fell by \$1bn to \$5.7bn, while which have local substitutes to exports rose to \$7.4bn from compensate for the excise duty. compensate for the excise duty, on local products. It also banned the import of aluminium sulphate, malt and barley as well as used and retreaded tyres in order to promote the use of local substi-

> if the depressed state of local manufacturing industry explains this type of policy, it is not withcontinuing reliance on protection which risks ultimately aborting any recovery in actual exports of

> The new tariff levels intro-duced at the start of the year give an average non-weighted tariff of 25 per cent compared with 31 per cent previously. Yet, according to the Government's seven-year tariff schedule, the figure will rise again to 28 per cent in two years'

One worry, therefore, is that industry is not being forced into a progressive adjustment that would make it more efficient. Another is that the policy itself is

Some economists argue that Some economists argue that the new schedule will inhibit non-oil exports through the high taxation of specific imported inputs. This affects particularly the textiles, agriculture, rubber and beer sectors, which are generally regarded as being among the industries with the best export potential. export potential.

Moreover, the new tariff structure also imposes high tariffs on equipment needed to improve the general infrastructure and to repair and maintain industrial plant. This could slow down efforts to improve the transport sector as well as slowing the pace of recovery in the key agriculture and textiles sector.

The Government has set up review board for tariffs which may remove some of these anomalies in due course. Even so, the prospect of a substantial rise in non-oil manufactured exports looks remote.

Nigerian labour costs were low even before the devaluation of the Naira, but industrial efficiency is still seriously impaired by a poor infrastructure with unreliable power supplies and excessive installed capacity in many sectors which increases fixed costs.

Until these fundamental factors change. Nigeria's best hopes appear to lie in the agriculture sector which has benefited from the fall in the Naira and is slowly recovering after long years of decline. Even here, however, progress is still far too limited to free Nigerian trade from dependence on the vagaries of an

Uninsured trade credits

Long saga draws to a close

THE long-drawn-out saga of Nigeria's uninsured trade credits seems finally to be drawing to a close following January's approval by a majority of creditors to reschedule around \$4bn in unpaid debts for 22 years.

With the rescheduling Nigeria has not only lanced a problem that has plagued it since the early 1980s when many of the debts were first incurred. It has also put in place the final plank of an overall debt restructuring that includes agreements with official creditors grouped together in the Paris Club and mmercial bank creditors.

Yet its deal with the uninsured trade creditors is far from being an entirely happy ending to the

ability to keep up payments under the revised schedule. There is also lingering resentment about its decision virtually to ignore some claims totalling about \$2bn which have been xcluded from the arrangement. In December last year the central bank announced that it would no longer consider claims from creditors which had not already been reconciled with its own records. By that time \$3.2bn had already been reconciled and the authorities were in the pro-cess of issuing promissory notes

tral bank announced that no more notes would be issued. Ineffect, it was disowning some \$2bn

In mid-January creditors met in London to consider the rescheduling plan which they reluctantly accepted. Few found the terms of the deal satisfactory, but a general feeling that it was unlikely to be improved carried the day.

A subsequent challenge to the vote by a group of dissident creditors was rejected by the High Court in London. These had argued that the voting was dis-torted because no arrangements Many creditors doubt Nigeria's anonymity and many were afraid

of jeopardising their continuing business with Nigeria by voting against the proposal. The court ruled that creditors had no grounds to insist on ano-nymity, effectively squashing fur-ther attempts to have the vote overturned. In short, Nigeria had overcome the last hurdle in its efforts to steamroller the deal

The uninsured creditors never managed to win much international sympathy. Their bargain-ing power was undermined by a

Government officials in many countries argue that it was the trade creditors' free choice in the first place to extend uninsured credits. At least some of the claims lodged with the central bank were fraudulent.

have now been disowned by the Nigerian authorities are genuine claims from companies with a long history of close trading rela tions with the country.

Holders of these claims are

sure to Nigeria in the foreseeable future and the rescheduling greement is likely to be a signi icant deterrent to fresh invest ment flows.

Moreover, the latest reschedul

ing is no more than a second restructuring of debt that had

Against that background the abiding worry is that Nigeria. which is currently facing an acute shortage of foreign exchange, will fail to live up to its new deal. A test of its resolve will come next month when a first payment of \$50m on the new

Peter Montagnon



Peter Montagnon looks at the country's import regime

Advantages of the forex auctions



ONE OF the undoubted achieve-ONE Of the undoubted achievements of Nigeria's structural cation of foreign exchange adjustment programme has been the introduction more than a year ago of regular foreign importers depended on the whim year ago of regular foreign exchange (forex) auctions, which most businessmen say are now working very smoothly.

The system amounts to a major step in import liberalisation since it replaced the arbitrary and unpredictable regime - which was wide open to abuse and cor-ruption - of import licensing through the central bank.

The auctions, at which \$115m is currently put on offer by the

of the central bank for obtaining licences. As a result, their administrative costs are now substantially lower. To some degree this has helped offset the inflationary impact of a currency depreciation which has taken the local currency to more than Naira 4 per dollar from rough parity at the

licence. If his requirement is of foreign exchange they need.

ing system, providing for the allourgent, he can simply bid at the Pre-emptive high bids have there-cation of foreign exchange auction at a level high enough to fore become progressively unnec-

This has enabled business enterprises to plan ahead and to overcome the kind of bottlenecks which used to occur regularly through a shortage of raw materials and spare parts.

One sign that business has adapted well to the new system is that the range of bidding levels at the auction has narrowed markedly compared with the early days. Most businessmen Nowadays a manufacturer say they can calculate fairly needing spare parts does not accurately the price they will have to wait for an import need to bid to obtain the amounts

This is not to say that Nigeria's import regime is now fully liberalised. There continues to be a list of banned products ranging from wheat and malt barley to champagne, and the central bank has laid down guidelines to com-mercial banks suggesting that funds bought at auctions should be used for the import of capital equipment and raw materials rather than for luxury goods.

Also, the auction system has continued to compress import activity. Businessmen say that

ger foreign exchange but finding the Naira needed to buy it at a time of relative monetary strin-

The price of borrowing locally to meet the high cost of foreign currency itself is steep. This means that the end price of imported products in the local market can be so high that demand simply evaporates.

This is helping to reinforce a drive towards import substitution in the Nigerian economy Total imports last year are esti-mated by the International Mone Fund to have fallen by nd \$1bn to \$5.7bn.

amount allocated to the fort-nightly auctions to \$115m from \$100m. Theoretically, this should allow for a corresponding small increase in import activity.

However, it is also now press-

the telecommunications and power authorities to turn to the auctions for their foreign exchange needs. Unlike private sector concerns, these stateowned corporations were previously entitled to apply to the central bank for foreign exchange which they obtained at the low-

Though medium-term proje outlays will still be financed by export credits and other official funds, auction demand from the parastatals for their short-term needs could well absorb much of the extra funds available.

est accepted auction rate.

around \$1bm to \$5.7bm.

The result is that imports are
At the start of the year the likely to remain depressed for a
central bank increased the long time to come, but the difamount allocated to the fortference now that the auction system is well-established is that the Nigerian economy can concentrate on buying the goods it really requires when it needs

Manufacturing The Dunlop potential

these days that the country faces an urgent need to develop manufacturing industries that might eventually reduce the country's which concentrates on funding ependence on exports of oil

There is, however, considerable controversy over both the ques-tion of whether such an industrial diversification is feasible and, if so, what kind of industries should be best placed to lead the

The questions centre around criteria such as finding a sector that is well integrated with domestic industry, that can draw on local materials and can be competitive internationally at least in the regional market. The tyre industry, according to some local economists, presents one example of such a sector

with potential.
Coincidentally, it is attracting new investment at the moment Dunlop Nigerian Industries, which is planning to spend Naira 175m doubling its capacity over the next couple of years, provides a practical illustration of the

ssues at stake. There is a natural logic in spanding such a sector of the Vigerian economy. Nigeria is bost to five local motor vehicle mblers, all of whom are seeking to increase the local content in their output. At the moment Duniop and Michelin, the two manufacturers, supply only 55 per cent of the country's requirements. Yet raw materials in the form of rubber, as well as carbon black from the Nigeria National Petroleum Corporation plant at Akpan near Warri, are readily aveilable. Mr Tjeerd Visser, a Dutchman

who is Dunlop's local managing director, makes an additional point when he contrasts the tyre business with other sectors. "We ess with other sectors. are a real manufacturing industry, not just in the bottling, packaging or assembly business.

The project, which will make car and van tyres, is due to come on stream in the second half of next year and the additional

capacity will be fully operational in early 1990. Mr Visser will not give details of the volume of increased out-put, but he says that eventually some of it will be exported to

neighbouring countries.

Despite the generally rather restrictive climate for industrial investment in Nigeria, the project has not been difficult to finance. Dunlop itself is providing some capital through a rights increase to chick DTD its UK chura. issue to which BTR, its UK share-holder with 37 per cent, will con-

It has also attracted two hard

NO-ONE CONNECTED with currency loans of \$12.5m apiece Nigerian industry would deny from the Nigerian Industrial International Finance Corporation, the World Bank affiliate

the private sector in developing The development of the foreign currency auction system has made it easier for companies to plan new investment, Mr Visser says. Under the old import licening system they had to expend all their energies on securing raw

materials It would have been cheaper in local currency terms to finance the project with a foreign curuation of the Naira, he continues. This has taken it from parity with the dollar in January 1986 to over Naira 4 per unit of US currency today.

Yet debt servicing costs would now be correspondingly higher. Mr Visser says Dunlop will try to reduce the exchange risk inherent in the project by borrowing Naira locally and converting them into foreign currency hrough the auctions rather than drawing on its hard currency

Local content of the new output should amount to some 65 per cent, he says. Though he describes a recent government decision to ban the import of retreaded and second-hand tyres as mainly a safety measure, it will help the new plant to be

Beyond that, the current tariff structure gives the tyre industry an effective advantage over imported tyres of 12.5 per cent. "We feel that, with the high local content which we have and the very sophisticated equip we will have, we will be competi-

tive." he savs. Like many local busines Mr Visser is looking ahead to the chance of exporting to neighbouring countries that are members of the Economic Community of West African States (Ecowas), most of which do not produce

There is, however, a note of caution. Tyre import duties in such Ecowas countries as Togo and the Ivory Coast are the same for Nigerian exporters as they are for Japanese, European and US

As an Ecowas me should be treated differently, Mr Visser says. "We are looking to the governments of these countries finally to show some determination with respect to the creation of a genuine common

Peter Montagnoi

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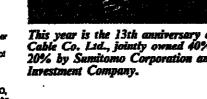
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Motor vehicles An industry whose viability

NIGERIA'S EFFORTS to establish a domestic motor vehicle industry date back to the mid1970s when the oil boom really got under way.

It formed part of a policy of developing a broad industrial way amounted to inst 7.323 cars

It formed part of a policy of developing a broad industrial base by using oil revenues to pur-chase whole industries more or less off-the-peg. Assembly plants were established, using kits imported from manufacturers in the industrial world. The hope was that this would stimulate a fully-fledged local industry which could contribute an increasing proportion of local content to its output

Now, in the aftermath of some five years of economic decline, the motor industry has become an example of the doubtful worth of this whole industrial policy. It is severely depressed — capacity use hovers around 10 per cent or even lower — and a large ques-tion-mark hangs over its future

The controversy over the industry's future contains two slightly different strands, how-ever. In the short term the main concern is whether the industry can recover from its immediate doldrums. For the longer term, there is a more fundamental issue at stake: is a vehicle industry ever going to be viable in a country like Nigeria? There is no doubt that the

immediate cause of the industry's problems stem from the steep decline in the Naira that accompanied the introduction of the adjustment programme in 1986. This has resulted in a massive

escalation of prices even of locally assembled vehicles, because of the continuing high level of imported input. According to Federated Motor Indus-

nger car sector, has pushed and repair facilities.

year amounted to just 7,323 cars compared with an installed capacity of 65,000. Taken together with the output of Volkswagen, Nigeria's other passenger car pro-ducer, Nigeria assembled fewer

Even though the private buyer remains out of the market, gov-ernment agencies and companies are able to buy more vehicles, he says, with the result that Peu-geot's output could double in 1988. Given sufficient protection, the industry could fleuvick nowin the industry could flourish again within two or three years, he

The local motor industry is supported by a strong domestic lobby, which sees it as an important employer and a long-term asset to a market of more than 100m people as well as a potential regional export earner.

According to Chief Ernest Shonekan, chairman of the Unilever affiliate UAC, Nigeria also needs

tries, which manufactures Bed-ford vehicles, the price of a five-ton tipper has more than tri-pled to just over Naira 150,000. Pengect, which dominates the to provide adequate servicing with its spending plans.

terms of population, but it is also appointed and confused about the one with relatively low spending Government's intentions. While power. Can output ever be sufficient to yield a satisfactory return on fixed investment?

Questions like these are comthan 10,000 cars last year, he esti-mates.

The important question facing gida in his budget address to the industry, however, is whether invest heavily in mass transit.

Reliance on imports would be 'like the 1960s when Lagos was riddled with broken-down vehicles which no one knew how to repair'

remains in doubt

this is just a temporary cyclical phase, or whether it demonstrates that vehicle assembly in Nigeria is ultimately unviable.

Mr Lange argues that the market is already showing some signs of picking up, following the relationary measures amounced in this year's budget address by President Ilvahim Babangida.

Even though the univate buver

business. Federated, which has a well developed body-building capacity, is stressing its ability to assemble locally. Steyr is planning to expand its local range to include buses. Anammco says it is planning to build 200 mid-size buses and 60 city buses this year.

and 60 city buses this year. and 60 city buses this year.

It has also recently won a \$21m nent plant.

Order to bring in 300 completed it remains buses from Brazil. Within the industry this is a controversial deal because the buses were ordered in fully-built-up form arrive. contrary to the guidelines laid

sufficient to meet all the demand should the Government go ahead

no its prices to the point where a bottom of the range model now retails for around Naira 42,000.

This is way out of reach of the average car buyer (a senior civil one knew how to repair."

Possibly in an effort to reduce the locally-assembled the cost of the locally-assembled the cost of the locally-assembled the cost of the locally-assembled the time being the omens in the marketplace are not at all good.

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Possibly in an effort to reduce the locally-assembled the cost of the locally-assembled the time being the omens in the marketplace are not at all good.

Peter Montagnon

Yet arguments such as these per cent. Effective protection is beg a number of questions. Is the duty differential between assembly ever going to be profitable, given the modest success achieved by the industry so far in introducing local content?

Altogether, the tariff changes introducing local content?

introducing local content? announced in the budget have Nigeria is a large market in left the motor industry both dis-

NAMA, the motor industry association which has been seeking an effective protection rate of 40 per cent for the industry as a whole, says it is seeking an urgent review of the new tariff

Already the difficulties facing the industry have forced the clo-sure of two commercial vehicle assembly plants operated by Ley-land and Fiat-Iveco. It may be that the Government's ambiva-lence is intended to promote further consolidation, though it is The commercial vehicle assemblers, Federated Motor Industries, Anambra Motor Manufacturing Co (Anammco) which handles the Manufacturing th

difficulties, most vehicle assem-blers are turning their attention handles the Mercedes Benz marque, and Steyr Nigeria, are now all vying eagerly for this business.

difficulties, most vehicle assem-blers are turning their attention to refurbishment of existing vehi cles, which have suddenly

> also investing in a joint compo-It remains uncertain, however whether ventures such as these

will be sufficient to tide the industry over until better times

A categorical decision by the Nigerian Government to allow down in the budget.

Rqually, however, some motor industry executives admit that current local capacity may not be residually interests at the current local capacity may not be residually interests at the current local capacity may not be residually interests at the current local capacity may not be residually interests at the current local capacity may not be residually interests. regional interests involved in many of the assembly plants.

At the end of the day, it may Possibly in an effort to reduce Well be up to the market to

PLAY

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ice is, 's of Care Course proget AUMINIUM M. Said Bellian Distance in Contractions.

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NIGERIA 9

Export credits

A battle for restoration of cover

NIGERIA'S long-cherished hope Nigerian authorities in reconcil-of a resumption of export credit ing claims with their own cover from its main industrial records. This is a complicated creditors may at last be fulfilled administrative task which affects

The battle for restoration of amount owing cover for much-needed infrastruc-Beyond that there have been devaluation and how interest Ajaoknta steel complex and the now that it is apparently drawing abould actually be new federal capital of Abuja, assessed.

As far back as a year ago, it seemed possible that cover could be quickly restored following the framswork: rescheduling agreeframework rescheduling agree in signing blateral agreements ment: with industrial country with some leading trading part-credifors grouped in the so-called ners, notably West Germany, Paris Club that was reached in Italy and Japan.

delays. Only now, according to be one country to show extreme
Western experts, are the difficulties surrounding actual implementation of the Paris Club
agreement slowly being overhave to embark on a fresh round

come.

Pressure has also been mounting among companies in the industrial world for a resumption of cover that would allow them to trating series of administrative gramme.

Obstacles.

This

obstacles.

The comsensus in the Lagos delays in the provision of expert diplomatic community is that these are now in the process of variety from country to country, being resolved. Indeed, according to some optimistic estimates much as expert credits worth as much as keep debt service payments current under the existing reschedules, say with certainly how much of this money will actually be spent.

This could produce fresh delays in the provision of expert credit cover, though at titledes to release the provision of expert credit cover, though at titledes to release the provision of expert credit cover, though at titledes the provision of expert credit cover, though attitudes many agencies is the meed to keep debt service payments current under the existing rescheduling.

This could produce fresh delays in the provision of expert credit cover, though attitudes many agencies is the need to keep debt service payments current under the existing rescheduling.

The UK, for example, is understant in the minds of many agencies is the need to keep debt service payments current under the existing rescheduling.

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authorise release.

Rarly last month, Britain, Guarantee Department, to which had amounced a £200m finance the completion by Bivacredit line together with funds ter of the Niger state water supportly projects, was still owed fine to guarantee Ffr2.5bm for Paris Club rescheduling is also in 13 projects, faced a similar the water sector. In December arrears problem and quietly France reached agreement with amounced in the summn that it Nigeria for a FFr1.6tm credit to

the calculation of the actual

ture, industrial development and disagreements with some counagricultural projects has been a tries over who is responsible for long-drawn out and tantalisingly bearing the cost of the Natra elusive process, however. Even devaluation and how interest

By the time of last year's international Monetary Fund meeting agreement was abruptly postnational Monetary Fund meeting poned last autumn after Nigeria in Washington, however, Dr Chu challenged some of the clauses in Okongwu, Finance Minister, was complaining publicly about result West Germany is likely to

of Paris Club negotiations to cover debts still outstanding from 1987 and those falling due this year and next. Success in these negotiations depends on the do fresh business in Nigeria, but imprimatur of the International official export credit agencies Monetary Fund for Nigeria's have had to contend with a frus-continuing economic reform pro

new money only at a pace The main problem now centres reflecting payments received on continuing payments arrears from Nigeria itself.

Indeed it was a payment of though Nigeria has deposited the necessary funds in a special Thatcher's visit to Lagos in Januescrow account at the Bank of any that allowed her to announce Pandand at her hear allowed the page 15 pages 15 England, it has been slow to plans to speed up talks on a £22m authorise release.

amounced in the autumn that it Nigeria for a FFri.6hn credit to would not consider further finance the Lagos water supply project, first conceived 10 years Part of the problem has been ago, for which the World Bank is the extreme difficulty facing the also providing finance. The con-

However, a further problem facing would-be contractors is the continuing muddle over the type of projects which should receive priority.

Nigeria is still seeking finance to complete the controversial

from the Bank for its plans to develop an export capacity in the petrochemicals sector. Mean-white there is evidence of jockey-ing for priority by various indi-vidual sections of the Nigetian federal and state governments.

Of most immediate concern to Mambilla Pistean in North-West the World Bank, however, are basic infrastructure rehabilita- some tea and coffee but which Of most immediate concern to

tion projects in the power supply, transportation and agricultural

When the US restores cover itis likely to confine its activities to projects that are certified as top priority by the Nigerian Gov-

. Britain has made it clear that it will liaise closely with the World Bank over new projects. It wants its £200m line of credit to be used in small packages to help medium and small operations in the agricultural and industrial

Among the projects it is looking at are a tractor rehabil-itation plant with Massey Ferguson and Ford, and in the lor term, along with the World Bank, the development of the fertile

also has forestry and livestock. This is not to say that the otential. export credit agencies are inher-For its part Nigeria, which ently reluctant. Most of them

hitherto has not been a major aid recognise that in a period of recipient has been seeking soft scarce commercial bank and priloans from its creditors. The vate investment finance they response so far has been limited, have a crucial role to play in though Canada has agreed to financing the rehabilitation of finance the supply of rail locomotives by its Bombardier concern. They know full w tives by its Bombardier concern.

The outcome of the negotiations on export credit cover will
clearly depend to some decree on clearly depend to some degree on without such a rehabilitation, but the behaviour of individual as cover is restored many will export credit agencies. Like com-also be hoping that they are not mercial benks, they tend to suffer throwing good money after bad.

difficult that the chances of a faith. Only time will tell whether free-for-all stampede to return to it will eventually pay off. the market are now widely

from a competitive herd instinct. Psychologically, this may also and if one breaks ranks and be a reason which explains a cerrestores cover on favourable tain reluctance to take the terms, the others will come under plunge. For most of the agencies great pressure to do likewise.

However, the climate of the protracted negotiation is little negotiations has so far been so more than an uncertain act of

Company profits

Inflation fudges picture as operating margins double

STRUCTURAL ADJUSTMENT Currency depreciation and again and again, company has been good for company profinflation have raised the naira reports refer to SAP's benefits in its in Nigeria, depressed levels of value of industrial assets, espethe form of much-improved consumer demand notwithstandcially those with a high import access to foreign exchange and consumer demand notwithstanding. Clark those with a right import access to increase with exchange and content. In this situation, sales thereby imported raw materials and profits rose by more than 17 since the made and if the per cent, following increases of 6 returns on capital employed are once-off "holding gain" effect of the displayed in the maintained.

Clearly this did not happen in materials with respectively.

Operating margins - pretax 1986-7 when the rise in sales turn-tion stocks of goods being sold off profits as a ratio of turnover — which virtually doubled from 8.8 per cent in 1963 to more than 16 per cent in 1965, slipped to 12.3 per cent in 1986 and remained at that level last year. But industrialists stress that

that after five years, during was falling.

which inflation has averaged 15

per cent annually while the better year for corporate earnings exchange rate depreciated some than could have been forecast a 55 per cent a year in 1966-7, many year ago. Then, it seemed that probably most - industrial companies are under-depreciating inquidity squeeze as interest rates their plant and machinery. As rose and corporate cash flows one company director puts it: "If our shareholders were to see a set of inflation-adjusted accounts,

overs and profits - of 17.5 per at higher post-auction factory-But industrialists stress that cent — was substantially out-the published results paint a far paced by the 62 per cent decline rosier picture than is really justing the naira. Evidently, the real fied. The main reason for this is return on capital in many firms

year ago. Then, it seemed that industry would be caught in a deteriorated while consumer demand weakened.

Undoubtedly, many companies

o be maintained. once-off "holding gain" effect of Clearly this did not happen in naira devaluation, with pre-anc-

A better year than could have been forecast

gate prices. Inflation, officially put at 14 per cent last year, was less of a problem than forecast, partly because weak demand kept prices in check, but also because spare capacity was widely available and the full impact of devaluation on input costs was felt only in the latter half of 1987 and will show up in 1987-8 results. Prospects for 1988 are mixed

ment's reflationary strategy should hoost consumer demand

substantially and with most com-

On the debit side, however, the impact of rising import costs and

domestically generated inflation
- specifically the anticipated 20
to 25 per cent increase in wages
and salaries - will squeeze margins. On balance it seems likely that the beneficial impact of reflation will be more than offset by cost inflation pressures, pointing to a decline in the average operating profit margin from last year's 12.3 per cent to below 10

This scenario could well turn out to be unduly pessimistic.
There is little doubt that during the strenuous years of austerity and structural adjustment, Nigerfat, becoming leaner and more

fficient. Industrialists believe that their operations are, in general, considerably more efficient than five years ago. It is obvious, too, that some of the tariff changes and the abolition of import controls have forced firms to become more efficient though whether such productivity gains will be

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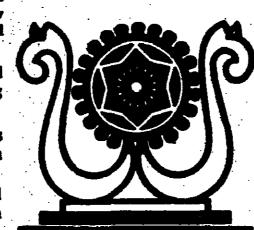
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Part of an ever diversifying Portfolio of Investment

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developing Nigeria's agricultural, industrial and commercial activities for domestic and export markets

Obstacles to 'food first' philosophy

ENCOURAGED BY new incentives provided by the structural adjustment programme (SAP). the Nigerian agricultural sector has entered a transitional phase. Despite hesitancy by govern-ment, private investors and farmers alike as to how best to proceed, prospects for agriculture are better than they have been for 20 years.

Since the inception of SAP, the Government's attitude to agricultural development has changed radically. Despite proclamations such programmes as "Operation Feed the Nation" and the Nigerian "Green Revolution", previous regimes had done little to redress the mismanagement of agricul-ture during the oil-boom years of the last decade.

The present administration,

however, has realised the vital importance of agriculture to the entire Nigerian economy. Hard pressed by slipping oil revenues and a 75 per cent devaluation of the naira, it has recognised that it can no longer afford costly food Babangida in his 1988 budget speech, food production and agriulture now have "pride of place in Nigerian economic strategy. hased on the conviction that a food first philosophy is the beginning of the journey towards

Accordingly, in its 1988 capital expenditure budget provisions the administration has allocated to federal agricultural and rural 850m. This is a significant increase compared with previous years and the largest sectoral allocation in the budget. The bulk of this allocation is

earmarked for the Directorate of Food, Roads, and Rural Infrastructure, the main instrument of government agricultural policy. Created two years ago, the directorate is responsible to the President's office. With a budget of N500m, it is designed to play a key role in the development of rural roads, water supply and electricity, although opinions on its performance are mixed. The other main agencies responsible for agricultural development are the state-run Agricultural Develpart by the World Bank, which since the inception of its \$1.5m loan programme to Nigeria has



The effects of SAP on agricul-ture have been varied. Price deregulation and the abolition of state marketing boards have given a tremendous boost to cash crops, while naira devaluation has caused a boom in commodity

economic sense and has not 300,000 tonnes of wheat alone last year illegally entered the country, a figure representing 10 times the amount of domestical-ly-grown wheat. The Govern-

It is estimated that 300.000 tonnes of wheat

exports, especially cocoa. In staple food production the effects have been mixed. While farmers are now enjoying higher prices for their produce, a poor harvest last year in conjunction with a January 1987 ban on grain imports have driven consumer prices sharply upwards. A major drought in northern Nigeria this year has prompted analysts to predict an accentuation of this trend, with possible consequences for the nation's social and political stability.

Two aspects of SAP have proved particularly contentious. The first is the grains ban, which has not only hit consumers but large-scale mills, bakeries, brew-eries and livestock feed suppliers as well. The World Bank and foreign exporters, particularly the US, have pressed for a lifting of

entered the country illegally last year ment, however, has so far refused

to consider lifting the ban. The second issue revolves around a 70 per cent government subsidisation of imported fertilis-ers. Again the World Bank es the measure, largely because of the strain it puts on foreign exchange reserves (equal to more than 70 per cent of the Agriculture Ministry's budget) year of 50 per cent of distributed fertiliser. The Government maintains the absolute necessity of cheap fertiliser for agricultural development, and has begun developing a domestic fertiliser industry.

allocated 60 per cent of this sum the ban, claiming it makes little Lack of a coherent policy from theory, commercial banks are ministerial level has affected the required to lend 15 per cent of

their total loans to agriculture.

but false agricultural claims by

measure in an attempt to redress

has recently required banks to

lend a minimum of 45 per cent of rural deposits to rural borrowers.

Statistics. Recently Kano

state announced it was growing

250,000 tonnes of wheat, but after careful study the US Department of Agriculture estimated Nigeria's entire output for 1988 was not more than 30,000 tonnes.

The Government is hampered in

policy formation by a serious. lack of reliable statistics.

National statistics agencies exist

but there is no sign that data

wait for a more stable investment

If agriculture is to grow, farm

ers must emerge from subsistence activities and employ

cies and institutions adapted to the free-market conditions of the

interest in agriculture than ever

and institutions that are

gathering will improve.

E Price stabilisation. Both modity exports and crops for the domestic market are subject to extreme price fluctuations. These are due in the former case to the activities of commodities speculators who destabilise the narket with intermittent one off investments designed to lift maxm profits. In the latter case fluctuations are due to continual shifts by farmers to crops cur-rently paying the highest price. In line with its adherence to free market principles, the Govern-ment has refrained from market intervention. Critics, however, believe that Government should introduce price-stabilising mechin as a buyer of last resort.

■ Strategic reserves. Glut followed by scarcity continues to be a feature of the grain market. Stabilisation would be encouraged by the building up of grain reserves, but so far the Govern-ment has falled to take effective action. It is estimated that up to are lost because of inadequate storage facilities.

Magricultural credit. Lack of programmes are having an effect, collateral has severely limited Nigerian agriculture suffers from the vast majority of farmers in policy formation shortcomings, obtaining extensions of credit, In

<u>Cocoa</u>

More stable market seems in sight

WITH THE 1987-88 main crop cocoa season now drawing to a close, both producers and traders in Nigeria's largest non-oil export industry have grounds for satisfaction. Despite continuing problems, improved cocoa quality and a gradual trend towards price stabilisation are making their sector one of the most promising in the

Nigerian economy.

While the repercussions of the to abolish six state marketing to aboush six state marketing boards in June 1986 are still being felt, the confusion that immediately followed the move is subsiding. Negative effects persist, but they are far outweighed by the advantages of increased producer prices and the boost given experters by the describe. given exporters by the devalua-tion of the naira. The result has peen a revitalisation of a crucial

but flagging cocos industry.

The higgest change since the end of last year's cocos sesson has been the consolidation of the activities of Nigeria's major cocoa trading houses. As firms such as Cadburys (Nigeria), Nigerian Oil Mills adapt to the competitive nature of the free market, high farmgate prices and small profit margins are squeezing out speculators. In an industry that is slowly rationalising itself, the activities of vast numbers of smaller speculators have virtually been eliminated. Market instability is still a fea-

ture of the Nigerian cocoa trade, however, and will not disann overnight. The larger individual speculators and syndicates able to remain in the market continue be more interested in

short-term profits than long-term commitments. But they, too, are While some major Nigerian firms such as Leventis, UAC and finding it increasingly difficult to compete with large-volume, long-term buyers, and market analysts have noted a decrease in John Holt have invested in agri-culture since SAP and accompanying state disengagement, the overall effect of such policy shortcomings has been to make internal price fluctuations. So analysts predict a further devel-opment of this trend in Nigeria smaller private entrepreneurs, who are less able to take risks, as declining world prices con-tinue to reduce potential profits. In order to avoid the mistakes of the past, trading houses are now evolving ever-more sophisticated purchasing and quality control techniques. In the cocoa scramble of 1986-87, when producinputs, extension services and appropriate techniques to pro-duce substantial surpluses. Probtion had dropped to less than a per cent aftetal export earnings but prices had skyrocketed, many buyers, were businessmen who had fittle of no knowledge of gle grain reserves, food imports, input supply and agricultural credit will only be overcome when Nigeria has developed poli-

cocoa markets. This season, how-ever, most cocoa was purchased by licensed buying agents (LBAs) who formerly worked for the cocoa commodity board but are Where last season farmers were

£ per tonne London price 1400

duced more rigorous inspection.

Nigerian trading house now undergoes inspection at least Grade A cocoa is first selected by an LBA at the site of production before being bought. Many com-panies then send a second expert to the farm to approve the purchase. Government inpectors subsequently inspect the cocoa twice - once at the LBA's warehouse, and again at the docks

Several large companies have perfected the system to the point that terminal markets have expressed complete satisfaction with shipments of Nigerian

About 15 per cent of Nigeria's production was smuggled onto the world market

cocoa. But elsewhere irregular procedures have done much to damage trade. It is estimated that last year 15 per cent of Nigeria's 100,000 tonne production, almost all of it sub-standard, was smuggled onto world markets. There have also been widespread allegations that much cocoa legally inferior. As a result Nigeria's overseas reputation as a cocca producer remains to restore.

trating Nigeria's attempts to establish stable and realistic by licensed buying agents (LBAs) cocca prices; another is the practice of selling beans to world cocca commodity board but are now contracted to private firms.

Where last season farmers were ducer prices. Mr Odubogun, sales and marketing director at Cadable to sell, and buyers to export, large quantities of sub-standard cocoa, both Government and the cocoa, both Government and the

sold at a deficit.
While this is partly a result of legitimate firms taking losses in order to meet previously con-tracted commitments, most of it is due to speculators converting naira to foreign exchange through the cocca market. Hard currencies thus earned must by law be repatriated, but much of this money remains outside the

country. In line with its liberalisation policies, the Nigerian Govern-ment is keeping its involvement in the cocoa industry to a minimum. In Ondo state, where 60 per cent of Nigerian cocoa is grown on small holdings of two to three hectares, the parastatal Ondo State Investment Corporation owns only 5 per cent of the planlations. Only three grinding mills owned. Forced to go into com-mercial operation with the abolition of the marketing boards, they have suffered heavy losses and today only one is functional It is thought that these mills will shortly be privatised.

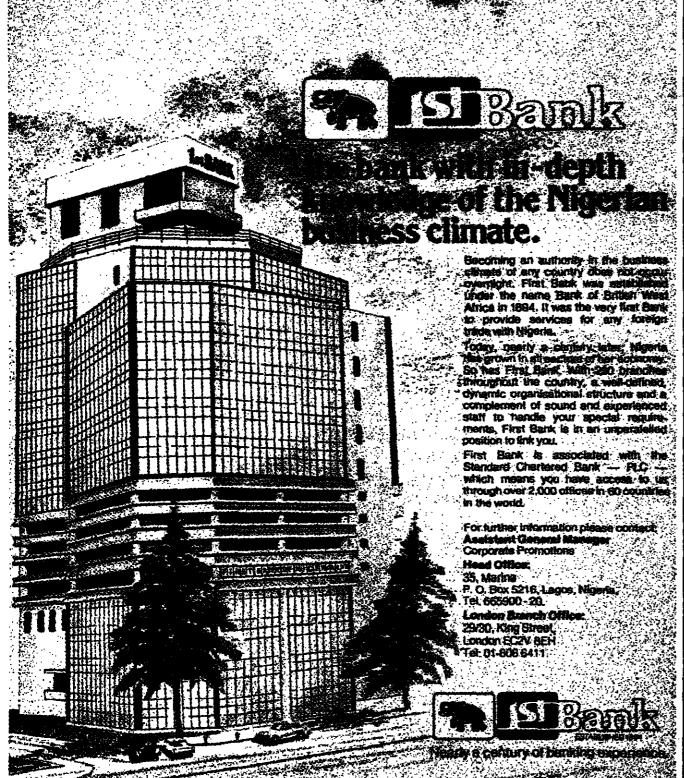
domestically at between N7.000 ian farmers need little state incentive to improve their plantabeen a remarkable improv in the quality of the cocoa produced. Farmers are also reviving old plantations and starting new

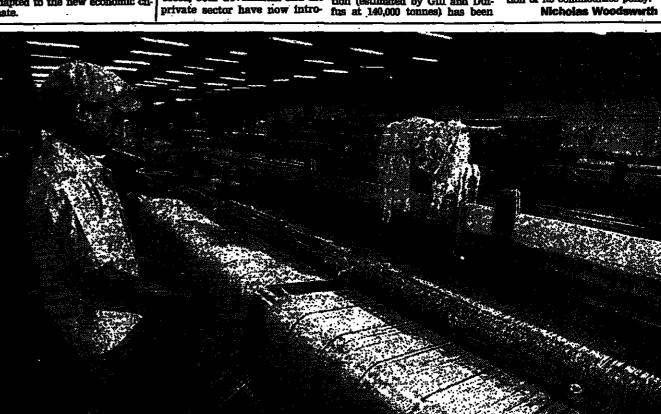
In the opinion of Mr Tim Har-vard, an independent agricultural consultant, initiatives in new planting have come just in time. Most Nigerian coma trees are well past their prime and new trees take five years to come into production," he says. "The Nigerian industry has et itself go almost too far to recuperate. One can only hope that world prices stay high enough in the near future to make reinvestment vorthwhile."

Like many market malysts, Mr other significant commodity exports are performing well now but may not realise their full-potential in the future because of

While such bodies as he Niger ian Export Promotion Council and the Cocoa Association of Nigeria are active, ther are few directives and little support at ministerial level. Commodities have been left in limbo, Mr Harvard maintains, at the very time market-stabilising strategies are

The Nigerian Government, for its part, points to the very real advances liberalisation and plans no radical reorgan tion of its commodities policy.





It's King Cotton again

COTTON, a Nigerian cash crop Cotton's comeback began with and the increased price of pesti-long ago nipped in the bud by the abolition of Nigeria's com-cheaply-bought imported fabrics, modity boards in 1986. Following aged the formation of village-has revived and is blooming with a brief period during which cottion in the past two years. Now supplying 50 per cent of the raw materials processed in Nigerian textile mills, local cotton remains in high demand and has so encouraged the textile industry that seven new mills have been commissioned since the beginning of 1987.

cash crops, Nigeria was self-suffi-cient in cotton in the 1950s and experts - are now switching to 1960s. Imported textiles and fin-cotton from less profitable food isked cotton goods paid for with crops. Across northern Nigeria ished cotton goods paid for with crops. Across nermen are superior more than 30 Nigerian textile oil profits virtually destroyed the this year many farmers experimented with cotton for the first mills, whose annual needs are estimated at over 100,000 tonnes.

ton farmers with no commercial experience adjusted to free market conditions, competitive selling began to push prices upwards. A year ago they had risen to N850 a tonne; today Grade 1 cotton is selling at the farmgate for N1,600 to N1,800 a

with such attractive prices. As it was with many other being offered, many farmers - to

Despite difficulties, cotton production has increased enormously - some sources claim increases of 500 per cent in two years — while the US Department of Agriculture conserva-tively estimates that production increased from 10,000 tonnes in

100m clethes-hungry Nigerians, present cotton supply is insuffi-cient. Foreign imports and local production together currently meet only half the demand of

tion. Some have negotiated medium-term production contracts with growers which include the provision of agricultural inputs. Others, such as Nigerian Textile Mills, have integrated backwards and purchased their own cotton plantations in northern Nigerian states. Because of heavy initial capital expenses it will take a 1985 to 27,000 tonnes in 1987. number of years before these With a domestic market of investments begin to pay off. In the meantime, one of the best indicators of the shortfall in the supply of cotton is that smuggled bales of used and new clothing continue to arrive in large

cotton appetite.

quantities from over the Benin border, to satisfy Nigeda's vora-



NIGERIA 11

Traditional methods of staple crop production are no longer sufficient to meet Nigeria's growing food needs, reports **Nicholas Woodsworth**

Biggest test yet for agriculture

government circles that the excellent harvests of 1985 and 1986 provided an indispensable cushion to Nigeria's structural adjustment programme. In the oil-boom years, agriculture mat-tered less than the petrodollars that could purchase food imports; today crop production is regarded as a vital priority. Now heading into the second of two poor crop years, Nigerian agriculture, and consequently the entire economy, is facing one of its stiffest tests

In an attempt to increase pro-duction and attain food self-sufficlency, Nigeria banned the importation of wheat, rice, maize, malt and barley in January 1987, saving an estimated \$600m in for-eign currency. Since then, the nation has managed to feed itself, although critics have heatedly argued that large-scale smug-gling has made the ban an invalid test of self-sufficiency.

But the issue side steps the real and deep-seated truth con-fronting Nigerian agriculture ple crop production are no longer sufficient to most Manager int to meet Nigeria's food

About 95 per cent of Nigeria's farmers are subsistence or small-scale cultivators, growing crops on parcels of two hectares or le depending on the area of the country, millet, sorghum, yam and cassava have been the tradi-tional staples. In the past, farm-ers' needs were satisfied by "bush-fallow" farming, a system of shifting cultivation in which farmers would slash and burn small plots, cultivate them for a year or two, and then move to

mother plot before returning. The system was perpetual and elf-regenerating: fields left fallow had time to restore natural ground cover, which then put nutrients back into Nigeria's gen-erally poor and infertile tropical

Today, however, pressures on the land are making the system unworkable. Since 1963 Nigeria's estimated 46m to approximately 100m today. Such numbers mean that farmers can no longer afford to let land sit idle, and the same fields are now cultivated year in, year out. Maize, wheat, rice, and year out. Maize, wheat, rice, and groundnuts have now been added to more traditional crops. The result of such intensive cultivation technique of alley cropping is being perfected.

Alley-cropping, a nutrient restoration technique that mimics to the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowing intensive control of the follows while allowed the follows while allowed the follows while allowed the follows while allowed the follows while allowed the follows while allowed the follows while allowed the follows while allowed the follows while allowed the follows while allowed the follows while allowed the following th tion is that the land is losing its fertility and becoming eroded at an alarming rate. Nigerian agriculture's greatest challenge, then, is to devise new systems of cultivation that take rising population into account.

The problem is compounded by long-term climatic trends. Recently released figures from the grain-producing north show that over the last 50 years aver-age rainfall has dropped from 600mm to 400mm a year, an amount insufficient for normal crop production. Because of irregular rains last year's staple food there is a move towards family-production was significantly sized, private operations in such lower than the previous two activities as oil pressing, grain years – millet production, for milling and rice polishing. Far example, crashed from 3m tonnes in 1986 to 2m tonnes in 1987. The FAO estimates that last year entrepreneurial ventures are Nigeria was down by 20 per cent, in the villages, and use simple This year severe drought conditions in the north hard ditions in the north have set alarm bells ringing. Considerable numbers of peasants in Sokoto and Borno states are selling their livestock and moving south. A federal task force on drought has been set up, and an Emergency nor in large-scale agro-operative peace these requiring huge capital inv

sumers alike. Consumer prices have risen sharply in both urban have risen sharply in both urban and rural areas. Yam and cassava in the south are up by 25 to 30 per cent. A loaf of bread that a

In early 1987 a tonne of main While much of this is due to climatic conditions, the Govern-ment's lack of a comprehensive name is lack of a comprehensive agricultural policy has also played its part. Producers of cocoa and rubber are cashing in on a mini commodities boom loned by the devaluation of the naira. Staples farmers, on the other hand, without government initiatives on market stabilisa-tion, are unsure of how to pro-ceed in the newly deregulated

and liberalised economy. Many have preferred to stick unproductively to old multi-cropping subsistence techniques rather than take a risk on a single cash crop. Others have gone for the money, concentrating on whatever crop currently has the highest market value. The result has been wild fluctuations in price and constantly changing imbalances in the agricultural

In the small Sokoto village of Gidan Kaura, for example, farm-ers who had previously been growing rice noticed last year that onion prices had suddenly shot with the contraction shot up. They promptly switched over their entire production to onions. But so many other farmers in the region had also been hured to onions that by the end of the season the bottom had fallen are now talking about getting out of food production altogether and moving to high-profit cotton.

The erratic shifts of Gidan Kaura's farmers alone will not affect the agricultural economy, but the problem is that there are thousands of Gidan Kauras all over the country. While the Government is not unaware of the need for a coherent pricing policy and the building up of strategic food reserves to avoid market instability, adequate steps to cope with this critical problem have not yet been taken.

There are some bright spots on Nigeria's agricultural map, howevolved by the Ibadan-based International Institute of Tropi cal Agriculture may offer answers to pressing problems. New varieties of drought-resis tant seeds are being developed and the technique of alley crop-

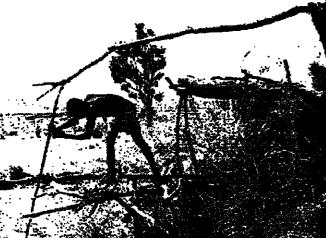
bush fallow while allowing inten-sive cultivation, involves inter-spersing high-yield crops between rows of nitrogen-fixing leguminous plants. The resulting preservation of soil fertility is highly encouraging, and may prove a major breakthrough for

Nigerian agriculture. While Nigeria's 20 flour mills are almost idle, there are encouraging signs of new growth in small-scale processing. With industrial-sized, state-run agro-plants now being phased out, there is a move towards family-

technology.

Agricultural specialists would like to see the same kind of development in crop production. They believe the future lies neither in under-sized farms where only been set up, and an Emergency nor in large-scale agro-operations requiring high capital invest-begun distributing grain to hungers and the second sec gry peasants.

Naira devaluation, the grain technology develops, they say, han and poor harvests have had an effect on producers and consumers alike. Consumer prices now moving back to the land found that the grain agriculture is in trouble. Many young Nigerians are now moving back to the land found that the grain say that the grain to number the grain t



Case study: an agricultural development project in the wilds of Sokoto State

Making progress in remote northern areas

There is no bridge across the Niger in Soloto. Standing on the high, crumbling banks of the high, crumbling banks of the river to market.

Neglected through the years of Nigeria's oil boom, the arid and isolated northern state of Sokoto floating platform that will be propelled across the river by two 40- oped in the country. While vari-foot outrigger canoes. Three ous administrations in the past foot outrigger cannes. Three times the primitive ferry loses its burchase on the bank and is swept downstream by the swirting current. On the fourth attempt a cry of triumph breaks out from the Fulani cowherds who have emerged from the bush to satist the tricky operation - the car is finally on and the loaded ferry begins slowly to pick its way through submerged sand bars to the far side of the river.

Out here, says Mr Laing, gently poking fun at the distant world of high finance, "this is ineligible for assistance by most international development international development international development international development international development international development international development international development cies. The World Bank, however, has advanced more development credit to Nigeria than to any

to increasing agricultural producessential component in the cretion in Nigeria. Chief engineer of ation of a balanced Nigerian the Sokoto Agricultural and economy.

LACK of rural infrastructure" is Rural Development Authority There are agricultural development neering section. In keeping with ment programmes (ADPs) in its infrastructure development development literature that Bank development literature that developing rural infrastructure to the point where Sokoto farmers much more than tired Jargon. can actually begin to realise their much when burly Scots engineer considerable potential. The simpler to undertake Bank-funded projects in the wilds of Sokoto one case in point: increased state, the phrase takes on signifivation are meaningless if farmers

Mr Laing's pragmatic, credit to Nigeria than to any sleeves up approach to the probother black African state—lems of rural development is \$1.5bn to date—and regards proving to be a vital prerequisite agricultural development as the

The arid and isolated state of Sokoto. neglected through the years of Nigeria's oil boom, is one of the most under-developed in the country. Many of the areas have never been farmed before.

northern states of Borno, Kano, Katsina and Bauchi share similar, problems of rural infrastructure. Sokoto – one of the biggest and most under-developed states in Nigeria – has received the largest single World Bank loan for agriculture, totalling \$147m.

Co-funded by the Bank, Sokoto state, and the federal government for the period 1963 to 1989, Sar-da's programme budget totals \$498m. While the federal government has released only a small fraction of its pledged share, resulting in a Sarda demand for overdraft facilities, the World

Approximately half of this sum is earmarked for Sarda's engi-

western Sokoto never farmed

There is something of a frontier-days excitement among local, World Bank and expatriate staff immediate and visible. On the previously inaccessible western side of the Niger River, for exam-ple, scores of new settlements have sprung up along the road-side in a matter of months. Mov-ing in from drier, and in the past year drought-stricken, areas to the north, farmers have taken advantage of newly-accessible hand and links to markets: they are planting not only traditional millet and sorghum crops, but

vital element is now in place. Another Sarda activity that is basis. The N1,450 cost of each

has installed boreholes and hand pumps in over 1,400 Sokoto villages free of charge, providing capable of producing 10 tons of them for the first time with clean wheat, rice and vegetables annudrinking water for domestic and livestock use. Up to 90 metres deep, the boreholes are expensive

- approximately \$17,000 per unit - and have cost Sarda a total of \$50m. So enthusiastically has the programme been received in the villages, however, that the World Bank has agreed to finance a second water supply phase costing \$19m. Sarda has also constructed over 20 earth dams for livestock

watering use.

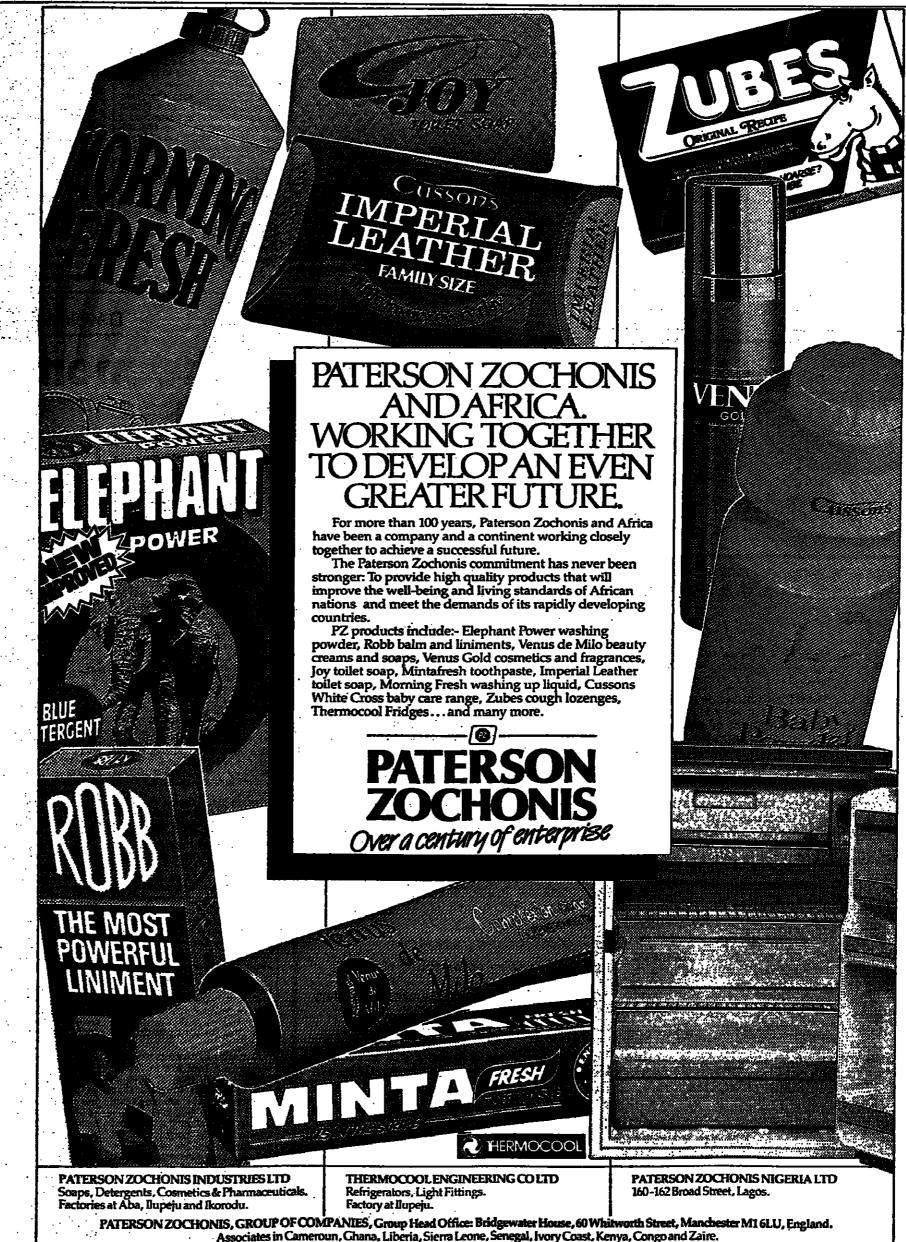
One of the most exciting and potentially rewarding Sarda activities is its fadama land irrigation project. In the past farmers had practised small-scale in Sokoto. The challenges are rainy season cultivation in Soko-demanding but the results are to's river basins, where rivers annually over-flowing their there has undeniably been prog-banks have left rich alluvial ress, and if Sarda continues at its deposits. The damming of these present pace Sokoto's rural infrarivers for large-scale irrigation projects has put an end to this Laing admits, perhaps even a lit-process, but because funds ran out before the completion of will be a bridge over the Niger down-stream projects they have not far from my outrigger ferry not replaced it. While the water crossing. For the moment, howtable in over 300,000 hectares of fadama land is still high, without

also commodities such as cotton. Sarda is now launched on a pro-While it will take time for a genu-gramme to provide new fadamo and pumps on a commercial changing rural life is its water unit is relatively high, and bank supply programme. To date Sarda credit remains a major problem. But with each unit irrigating one ally, potential returns are enor-

> fadama lands in 1987, will sink a further 1,800 this year and is encouraging village co-operative schemes to counter commercial credit problems. Sarda's estab-lished network of seed, input and its extension and training programmes, will be put at the disposal of new fadama farmers. Sarda's challenges are consid-

erable. Money for equipment and technical expertise is in short supply, workable systems for agricultural credit have yet to be devised, and the North is threatened with a major drought. But there has undeniably been progcrossing. For the moment, how-ever, we're still battling the current, and pulling slowly ahead."

Nicholas Woodsworth



New plans to protect Nigeria's endangered rain forests

A daunting challenge for the conservationists

the monster roaring before you see it. A large yellow bulldozer is knocking down trees like ninepins to make a road for the logging company. Torn leaves rain from the sky long after each tree has crashed to the grow

It is happening in Africa as well as in the Amazon. In Eastern Nigeria's Cross River State. few pockets of inaccessible pri-mary forest have survived the farmers. Here too it takes only five minutes with a power saw to bring down a 100-year-old forest

attention to this unique part of tion (NCF), saw the gorillas in approach. Elsewhere, nearer the

steaming dinner pot of pepper sauce and plantains.

Mr Ibrahim Inahoro, of the Nigerian Conservation Foundation of the Mich make it difficult to the standard of the rainforest still our guide, pointing at the cuttered of the rainforest still our guide, pointing at the cuttered of the rainforest still our guide, pointing at the cuttered of the rainforest still our guide, pointing at the cuttered of the rainforest still our guide, pointing at the cuttered of the rainforest still our guide, pointing at the cuttered of the rainforest still our guide, pointing at the cuttered of the rainforest still our guide, pointing at the cuttered our

word. Local hunters — the haras rels of their home-made shotguns
stingeniously made from the
steering columns of Land Rovers
a — have known about and even
i killed the gorillas for years. In an
attendation of bushmeat, including monkeys, vultures and small antelopes, is fair game for the sauce and plantains.

Mr Ibrahim Inshore

Mr Israncis Sulliva the saud of them in Nigeria.

"It was very black," said Mr Inshore of his first sighting. "I was very black," said Mr Inshore of his first sighting. The ecosystem they discussed in first, restrained more thect the core very level, the core very level, the core very level, the

Nigeria. One was the setting up of the Korup National Park next door in Cameroun, and the other was the discovery of Africa's most westerly population of low-land gorillas in Nigeria's Kanvang mountains.

August last year and joined a state capital Calabar, farmers are korup, where conservationists burning the remaining bush to add nutrients to the fragile sandy with rural development for the expedition by gorilla experts Mr soil for their cassava crop. The sandy Harcourt and his wife skeletons of a few dead forest the animals. The idea is to promote the remaining bush to add nutrients to the fragile sandy with rural development for the expedition of low-land gorillas in Nigeria's Kanvang mountains.

Mr Francis Sullivan, of the World Wildlife Fund, fresh from visiting Korup, has come to eastern Nigeria to look at the possibility of protecting the forest on this side of the frontier as well, for the benefit of Korup and

"From preliminary studies appears that Korup is the most biologically diverse rainforest in Africa," he says, "with more than 450 species of trees, hundreds of ies of birds, 52 mammal spe-

The challenges for conserva-tion in Nigeria, with its ever increasing population of more than 100m, are daunting. It remains to be seen whether the suggestion to promote gorilla tourism can save them for posterity.

Since the NCF was founded in 1982 it has, with the support of enlightened businessmen, done its best to convince the world that Nigeria is not a lost cause. The country boasts some magnit icent terrain and is home to a range of endangered species, including primates and birds such as the grey-headed rock-fowl. The NCF has drawn up management plans for important reserves and is trying to promote conservation in schools

In association with the International Council for Bird Preser vation, the NCF has launched a British appeal to raise £270,000, Britan appear to raise 220,000, and a special exhibition of Niger-ian wildlife paintings by Spencer Hodge is to go on show at the Commonwealth Institute in Loudon from March 24 to April 3.

Contacts: Mr Paul Goriup, NCF Appeal Secretary, 122 Derwen Road, Thatcham, Berkshire, RG1: 4UP, England, Tel: 0635-60478. Or. Mr Philip Hall, NCF, Mainland Hotel, PO Box 467, Soute-Metta,



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The Nigerian Bank for Commerce and Industry (NBCI) which was established by NBCI Act No. 22 in 1973 is currently very seriously concerned with the industrialization of Nigeria through healthy development of small, and medium-scale enterprises. NBCI has obtained the World Bank's technical and financial assistance towards the achievement of this goal. Generally, the Bank's activities cover the following broad areas:

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(b) Guarantee of foreign machinery credits;

- (c) promotion of industrial Projects;
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- (c) Handling documentary bills:
- (d) Underwriting of security issues;
- (e) Loan syndication
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Development of natural gas resources

The momentum increases

PLANS TO develop Nigeria's substantial natural gas resources are after years of hesitation and

Although the Government has yet to announce a detailed policy on the exploitation and domestic on the exploitation and domestic pricing of gas, it has pressed ahead in the past year with two major gas projects — the pro-posed liquefied natural gas (LNG) plant for export, and the pipeline from Escravos to supply Lagos. ING devalorment albeit on a

LNG development, albeit on a more modest scale than origi-nally planned, is a Government priority. Money from the export of some 20,000 barrels of crude oil per day is being set aside in a dedicated account to pay for the state's equity share in the LNG project. The account is already thought to hold as much as

In the course of this year the four participants hope to form a project company. The Nigerian National Petroleum Corporation (NNPC) will have a 60 per cent stake, Shell (the technical leader) stake, shen (the technical leader)
20 per cent, and Elf and Agip 10
per cent each. Gas will be supplied by the NNPC/Shell, NNPC/
Elf and NNPC/Agip joint ventures. By the mid-1990s Nigeria expects to start exporting LNG to

Europe.

Before that happens, the interlocking problems of financing the
project and securing the customers must be resolved. Clients and
lenders are reluctant to commit themselves without assurances from the other side.

The LNG plant on the Bonny River, with two production trains using the Technip/Snamprogetti process, is to be one-third the size of the original proposal, although there will be room for subsequent expansion to five trains. Output from the two trains will reach about 4m tonnes of LNG a year, or some 3 per cent of the Euro-

Nigeria hopes to squeeze into Europe without too much difficulty and so pave the way for expanding its output in the 21st

century.

Estimates by those involved of the project cost are extraordinarily varied, ranging from as low as US\$2bn to more than US\$5bn. Efforts are certainly being made to keep costs as low as possible. Rather than building new ships, the participants are planning to use five existing ves-sels for transporting the LNG, and options have already been taken out on two.

At the same time, studies of a similar LNG plant in Australia have suggested further ways of reducing project costs without impairing safety.



Petroleum Minister Alhaji Riident of the Organisation of Petroleum Exporting Countries

The equity element of the project cost is likely to be about 40 per cent, with the loan portion, including export credit, foreign commercial bank loans and Nigerian loans accounting for the

Talks with the targeted customers - 'the major European gas companies - are continuing. A high-level meeting was held in Britain in October last year, and another is expected in the middle of 1988. West Germany and Spain

have shown particular interest.

When Nigerian oil begins to
run out in the next 40 years, gas is likely to ensure the country's long-term prosperity. Proven gas reserves total about 2.5 trillion (million million) cubic metres, and actual reserves are proba many times greater. About half Nigeria's proven gas is associated with oil production, and three-quarters of that associated gas is currently being flared and

It is a subject which has preoccupied successive Nigerian administrations and one of the country's most important donors, the World Bank, which last year approved a US\$25m loan for gas

technical assistance.

Gas utilisation is slowly being increased. Nigeria's US\$750m gas-fed fertiliser plant at Onne has come on stream. Work is proceeding apace on the pipeline from Escravos to supply the 1,320 megawatt Igbin power station in Lagos. At present, Igbin operates at a fraction of capacity on expensive fuel oil because the pipeline was not built in time. The pipeline and associated gas gathering systems will cost about

US\$500m. The second, gas-fed, phase of the country's petrochemicals pro-

Mr Rilwanu Lukman, Nigeria's gas production and distribution. Petroleum Resources Minister, has admitted that the Government was slow to implement a gas policy, but he has announced some general guidelines.

The Government's aim is to expand the domestic market for gas by fixing the local price low

gramme is also expected to get enough to encourage consump-off the ground in the next few tion, but high enough to pay for

In theory, the promotion of gas will free more oil for export as well as providing raw material for other export industries and cheap fuel for electricity.



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NIGERIA 13

Oil exports still account for more than 90 per cent of Nigeria's foreign exchange earnings, as Victor Mailet reports here.

Crude oil remains the lifeblood of the economy

DESPITE ALL Nigeria's talk of promoting non-oil exports, and oil production by building refi-neries and petrochemical plants, crude oil itself remains the lifeb-

Nigerian oil exports have fallen in value to about US\$6.7bn in 1987 from a peak of nearly \$25bn in 1980, but oil still accounts for more than 90 per cent of foreign exchange earnings, about 20 per cent of gross domestic product and three-quarters of federal gov-

Ambitious plans for vast pet-rochemicals projects and largescale production of liquefied nat-ural gas (LNG) have fallen by the wayside since the end of the oil boom. Even today's more modest attempts to develop Nigeria's substantial gas reserves and pro-mote downstream exploitation of shortage of funds and the wariness of creditors.

As Nigeria and other members of the Organisation of Petroleum Exporting Countries (Opec) try to weather a period of price uncer-tainty, the authorities in Lagos face a series of difficult decisions on the allocation of project funds.

The leading competitor for resources appears to be LNG, the only project still to benefit from a dedicated account into which the Government says it is regularly depositing oil proceeds. The plan to export LNG to Europe by 1995

will cost between \$2bn and \$5bn. Phase II of petrochemicals would cost about \$700m. Devel-opment of a major offshore 100,000 barrels per day conden-sate field next to Akwa Ibom state by the 60:40 joint venture of the Nigerian National Petroleum Corporation (NNPC) and Mobil sate, a lighter mix of hydrocar-bons than regular crude oil, is is not restricted by Opec quotas. Nigeria's incomplete plans to

follow other Opec producers downstream and buy refining capacity in countries such as Ireland and Canada - at the same time as increasing the number of its own refineries - are also likely to cost hundreds of. millions of dollars. Resources ve already been committed to a new fourth refinery, a new gas-fed fertiliser plant and the longdelayed construction of a gas-pipeline from Escravos to Lagos. It remains to be seen if Nigeria can juggle its project priorities satisfactorily while pursuing the

oil reserves and production capacity to give the country more leverage in Opec quota negotia-In the early part of 1988, with spot prices below Open's official prices, Nigeria has been having enough problems just selling its oil. Production is estimated to have dipped in January to about 1.1m b/d, compared with the official quota of 1.301m, putting a Mr Rilwanu Lukman, the motion of the MOU in mind that
Nigerian Oil Minister, is presiShell recently went out of its way

dent of Opec and has made a point of saying that Nigeria will respect its quota and official Opec prices, which in the case of the Nigerian marker crude Bonny Light is \$18.92. Some of his compatriots, already concerned by his frequent absences from home on Opec business, accuse Mr Lukman of ignoring Nigerian national interests to the benefit of Opec and the Gulf

KING

Yet most oil industry executives, although confident about Nigeria's respect for the quota, do not believe that it sticks to the official prices anyway. "Any time when you pick up a newspaper and the spot market is two dollars less than the official price you can guess they're not selling at the official price," said one. entered into several short-term strained by high domestic con-deals with refiners to bolster sumption and smuggling, and by sales of its crude. Such deals can appear to be at the official price. of abundant natural gas. but producers may sell at a nomi-

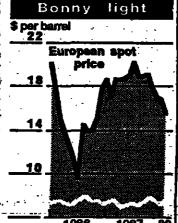
nal official price while allowing

around spot prices to pay opera-tors in kind for its share of costs lood of black Africa's largest in joint ventures. NNPC has 80 per cent of the largest joint ven-ture with Shell, and 60 per cent

> In some ways the oil com nies are delighted by the pay-ments in crude oil. It means that NMPC is up to date or even ahead on its cash call commitments, instead of in arrears, although the companies can find the spasmodic nature and small volumes of the crude involved difficult to digest into their refining net

> For NNPC payment in kind means being able to bypass the tight pursestrings of the Trea-sury. The Finance Ministry is said to be concerned, but as one oil executive noted, the money the arrangement since the oil in a weak world market - would

> have stayed in the ground. Relations between the Govern ment and the oil compani through a difficult patch between through a difficult patch between February and June last year, when Nigeria decided to make the companies bear some of the pain of the market weakness. It began to chip away at the two dollar a barrel guaranteed mar-



In terms of that agreement the companies agreed to press shead with exploration and development in return for the margin This incentive was based on a "netback" formula which adjusted the Government's take in taxes and royalties according to realised prices. Oil companies were temporarily gaining in early 1987 because netback prices were trailing spot prices. A new arrangement was finally agreed in July, whereby the basis of the realised price was revised to include both netback and spot prices. Accounts for the month of uncertainty are still in ques

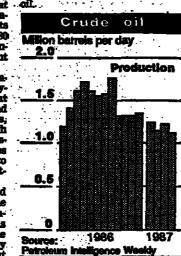
to publicise two oil discoveries in Bendel state. Exploration and development, however, remains a contentious issue. Nigeria wants to increase its proven reserves from around 17bn barrels (about 35 years' supply at present rates) to 22bn, and to raise production capacity to 2.5m b/d from the current 1.8m. But the oil companies doubt the Government's commit ment to provide its share of the funds and question the need to spend money on reaching a capacity so far above the present

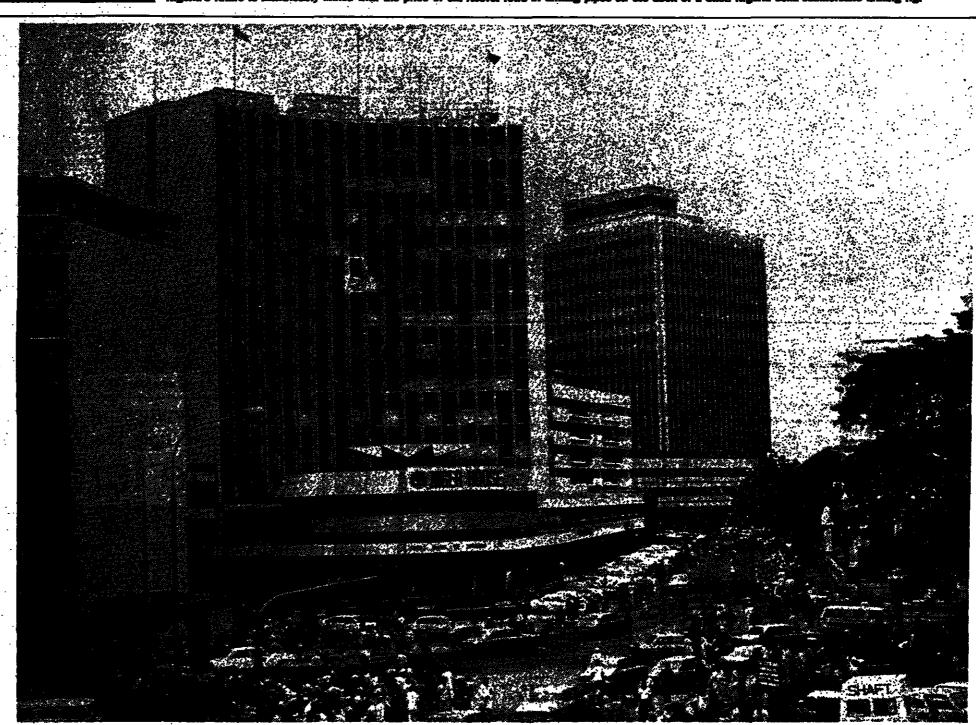
Opec quota.

The proposed division of NNPC into separate units, which would run on commercial principles and raise their own funds, has been delayed, at least partly by the delicate political problem of domestic prices. Nigerian oil Nigeria is thought to have exports continue to be con-

producers may sell at a nomi-official price while allowing hoped that gas, cocoa and other refiner to claw back the diference will play more than a

OIL RESOURCES COMPARED Recoverable conventional oil resources (bn bbi)				
	Proved reserves	Inferred reserves	Undiscovered resources	
Saudi Arabia	169.2	3.4	36.0	_
USSR	59.0	22.0	77.0	
US	27.3	20.1	37.0	
Kuwalt	79.2	15.0	3.0	
Inst	48.8	11.3	19.0	
lraq	47.1	3.6	35	
Venezuela				
& Trinidad	25.8	14.1	15.0 ·	
China	18.4	5.2	35.0	
Maxico	26.5	3.5	25.0	
United Arab				
Emir ates	33.0	12.7	5.0	
Libya	21.3	4.5	6.0	
Canada	8.0	0.8	27.3	
Nigeria	16.0	3.2	7.0	
Norway	10.5	0.2	17.0	
Indonesia	8.3	0.5	7.9	





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and management methods. The sky-line in Nigeria is ever changing and UAC is part of it.



UAC OF NIGERIA LIMITED Always meeting the challenges of the Times

As new petrochemical plants at Kaduna and Ekpan come on stream...

Import substitution drive gets under way



raw material for Nigeria's new petrochemicals industry: well-head led out at the Shell Belle Isle rig in the Biniwei Field, Bendel State

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producing its own petrochemicals in this case benzene and poly-

propylene.
Nigeria's bumpy petrochemicals journey, which began with the ambitious multi-billion dollar plans of the 1970s and led to today's more modest attempts at downstream use of oil and gas,

still has a very long way to go.
The plants at Kaduna and at
Ekpan near Warri, both now
coming on stream using feedstock from nearby refineries, make up the first, small-scale phase of Nigeria's petrochemicals

rategy. Kaduna's main product is to be 30,000 tonnes a year of linear alkyl benzene (LAB), which is used for biodegradable detergents. Ekpan will produce 18,000 tonnes a year of carbon black, a raw material used in the manu-facture of tyres and carbon paper, and some 35,000 tonnes of

polypropylene for such items as woven sacks, plastic bottle crates, syringes and prayer mats. Phase I is largely an exercise in import substitution, although NNPC hopes to export the sur pluses of certain products and by-products. Carbon black output is in the early days expected to be nearly double Nigerian domestic demand, and NNPC wants tyre-makers such as Michelin to export it for their own use else-

Petrochemicals are one of Nigeria's most significant raw material imports, and the 450 or so plastics manufacturers in the country are enthusiastic about the long-term possibilities of local production. For many companies the uncertainties and diffi-culties of obtaining foreign exchange for petrochemical inputs could be a thing of the

"It would have made more sense to us if the project had come on stream earlier than now," says Mr Mac Asemota, executive secretary of the Associ-ation of Plastics Manufacturers in Nigeria. "Nigerian society and the world in general is getting plasticised. Demand for plastic products increases on a daily

NNPC is going to have work

Nigeria's Non-Oil Export Sector

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collection, remittances and issuance of guarantees

floor in one of the Lagos offices to have few fears about the qual-of the Nigerian National Petro- ity of NNPC products, but they leum Corporation (NNPC). At are concerned about phicing and last, after many delays and reliability of supply. NNPC officeriminations, the country is cials admit that if the LAB plant

the polypropylene plant. To make already started and production nothing at the turn of the matters worse for NNPC, the could begin as early as 1992. tury as local demand rises. spoke of critical problems of with Du Pont for technology, staffing at the end of January.

For many companies, the uncertainties and difficulties of obtaining foreign exchange for petrochemical inputs could be a thing of the past

sells the product at the present landed price of imports it will barely break even, although they say carbon black should be prof-

As for reliability, the refineries which supply the feedstock for the Phase I plants have suffered prolonged shutdowns in the past, even if they have been running relatively smoothly in the early part of this year. Uncertain elec-tricity supplies are another headies are another headache for all industries.

Already some plastics manufacturers complain that they are

mum staff required for effective plant operation," he said.

Meanwhile the Government is expected to take a final decision soon to go ahead with the larger second phase of petrochemicals development. The proposed com-plex favoured by NNPC and the World Bank for the site at Ele near Port Harcourt would use Nigerian natural gas as its main

ble," says Dr Thomas John, head of NNPC's petrochemicals division. "Plant costs are about 75 the world people are not building committing themselves to quote as low as possible. So we're taking advantage of the low investment cost and we want

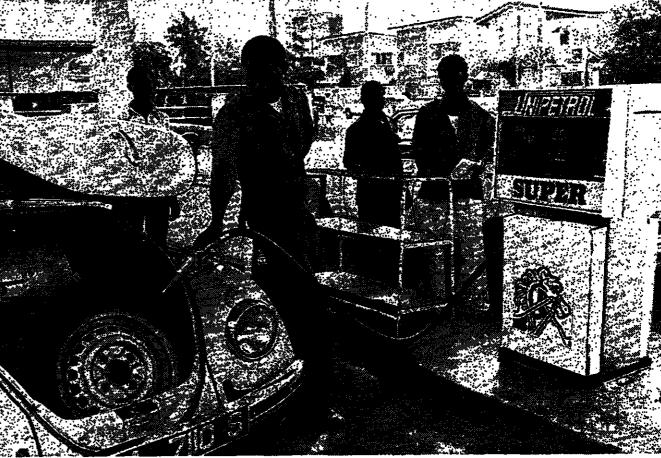
to take advantage of the high The present plan is the base case recommended by the Stanford Research Institute in a Nigerian natural gas as its main report for NNPC. It predicted tegically important investr about US\$700m, and would produce a range of products including 250,000 tonnes a year of poly-

A LARGE sample bottle of clear hard to regain the respect of the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the liquid and a package of plastic Nigerian business community, imports because of unexpected polypropylene. Some infrastructure work has gressively falling to virtually start in 1992, with exports production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of about half its production at the scrambling for last-minute ethylene and 80,000 tonnes of a nothing at the turn of the cen-

A second, cheaper option which would minimise risk is not favoured by the NNPC.

Although Nigeria seems eager press ahead, financing is not likely to be easy. Several other projects, including a planned liquefied natural gas plant, are vying for NNPC resources. For per cent of what they used to be eign lenders are cautious about five to 10 years ago. Because of Nigeria's prospects and keen to the adverse economic situation in see the results of Phase I before

Traditionally the World Bank are hungry and they are prepared has not regarded Nigerian oil and gas as a priority, and has pre-ferred to leave the sector to foreign private capital while it conwith the private sector wary o Nigerian projects, the Bank believes it should support a strategically important investment



Smuggling of cheap petroleum products into neighbouring countries is big business

The lure of quick profits



icy and the law.

One result is the smuggling into the country of luxury goods, counterfeit watches and pharmaceuticals, banned imports such as rice and anything else demanded by the population. Another effect is the illegal export of millions of gallons of cheap Nigerian fuel to

The underground trade in gling is unlikely to be eliminated. Nigerian petrol, kerosene, diesel and fuel oil is big business. Fuel prices — with the exception of kerosene — were doubted.

In some cases fuel tankers are

February this year a litre of pet-rol was selling for 39.5 kobo in on kerosene, designed to help the Nigeria, a mere nine US cents. poor who use it for cooking and Prices in neighbouring countries lighting, has led to widespread are six to 10 times as high and adulteration of other fuels and paid in convertible CFA francs. consequent damage to vehicle. Differentials for kerosene are engines. Kerosene is often mixed. even more extreme, and prices with diesel because it sells at a for this product across the border third of the price. are up to 20 times higher than in Nigeria is considering various Nigeria.

MARKET FORCES in Nigeria Widespread smuggling, and adulteration, including a plan to have a habit of asserting them problems at Nigerian refineries, mark kerosene with a blue dye selves over official economic pol-have caused severe fuel short- and another to paint officially

ages in the recent past.

An obvious solution is to increase domestic fuel prices, an unpopular step which the Government has hesitated to take for fear of its effect on transport costs. There were signs in February that prices could be released. by the population. Another effect the illegal export of millions of any that prices could be raised gallons of cheap Nigerian fuel to neighbouring states, and the illegal bunkering of ships.

The underground trade in significant world levels. Sung-

and ruel on is big business. tion of kerosene — were doubled a According to some official estimates the equivalent of 50,000 the effective subsidy applied at the time. But since then the quarter of Nigerian refinery output, is now smuggled across the borders to Cameroun, Niger and Benin. Many oil industry executives, however, put the figure at a more conservative 20,000 b/d. change in the pump price.

In some cases fuel tankers are simply driven over the borders. Small-scale operators — apparently unruffled by the severe sentences they risk if caught — load their pick-up vans and river boats with drums of refined products. Many petrol stations near Nigeria's frontiers have an exceptionally high turnover in relation an illusion. There are those who to the size of their legal market. The lure of quick profits from Nigeria's effective consumer subsidies on fuel is overwhelming. In February this year a litre of pet Taking into account the unde-

methods to reduce smuggling and

sioning of Nigeria's fourth refi-nery, which should boost capac-ity to the point where the country will want to export large amounts of refined products

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lay March 18



Nicholas Woodsworth on the difficulties, and joys, of Nigerian rail travel

All aboard the camel

thereabouts, a green diesel locosimply to climb through the nearmotive and 16 pink carriages pull up to the mainline platform at

Emblazoned on a coat of arms on the side of every dusty car-riage is the railway's emblem. It is not what one might expect – a springing antelope, say, or a charging steed - but a camel. It is not a camel steaming ahead like a ship of the desert, por a camel flying over the sands like a harmattan wind. It is a camel standing motionless under a

As I prepared to board the Lagos Express, the train that would take me 700 kilometres through the heartland of Nigeria, I thought the emblem's designer had rather meanly misrepresented the only romantic method of travel left on earth. Forty-eight hours later, gritty, slespless and still not at my destination, I real-ised the artist was a more hopeless romantic than I – the poor beast under the tree should have been portrayed lying tethered

able," the Nigerian Railways Corporation is not renowned for get-ting there on time, or even getting there at all. One of the most poorly organised institu-tions in the country, Nigerian Railways is best approached in a spirit of adventure and with an

What it does guarantee the foreign visitor, however, is a view of the other Nigeria. Life seen from a railway carriage window is not the same as life seen from a hotel room on Victoria Island. It is not always an inspiring view, for it looks out onto a world that is poor, over-crowded, and generally fails to provide the amenities and services that make life com-fortable. But provided the for-eigner brings with him the same amount of sociability that local people travel with, it also gives him a chance to meet some very different and hospitable Niger-

Before being issued a ticket at Kaduna station, I had been asked the curious question, "Are you prepared to put up with the first-class conditions of our trains?" I began to understand when I saw my compartment. Generously designed, it had been fitted with drop-down beds, folding tables, a cupboard, a fan and no fewer than seven separate light fix-tures. There was also a tiny bathroom with sink and tollet where a sign read "Gentleman, please lift the seat" in English, Yoruba,

The toilet refused to work, however. The fan had been ripped out, only one light actually functioned, and there were chicken feathers and droppings in the cupboard. "First-class" is a relative term on Nigerian Railways. It does not imply any more comfort than you would find on an average camping trip, but it does mean you have the space to sit, breathe, and consider the fate of those outside your compart-

The most spectacular aspect of Nigerian rail travel is the overwhelming press of people. Pasinto carriages built for a quarter the number. They spend long hours in impossible positions. They sit on each other's knees on the train's hard wooden benches, lie contorted in the aisles on mountains of baggage, crouch in the doorways and ride the plates between cars. Some even travel

on top of the carriages.
In these conditions movement is virtually impossible without stepping on hands, or babies, or bloody sacks of bushmeat on its way to market. Getting on and off the train poses a major problem, and some travellers find it

est window. Many travellers rate Indian railway stations as the liveliest and most colourful places any-where, but Nigerian stations are as bright and full of movement as anything in Rajastan. There are flerce-looking tribesmen just in from the bush, armed soldiers in uniform, wild-eyed holy men and beggars in rags. Most striking of all are the country women. Bare foot and bangled, they wear a thousand different styles of tressed hair; contrasted against their dark skin, the reds and yellows of the dyed prints they wear jump at the eyes.
Scores of vendors wander

about the platforms shouting their wares. From them you can buy smoked antelope, chunks of bush-rat with fried plantain, or pounded yam to dip in a fiery sauce of childes. Young girls will sell you a soft drink from the loaded buckets they carry on their heads, and for no extra charge snap off the caps with

One item that was selling electric torches. At the time I could not see why, but too late I understood. After rumbling through the bush for half the night, the train abruptly ground to a halt in the middle of nowhere. Out went the lights as the generator failed, plunging into darkness and silence the dozen or so passengers who had spilled into the compartment from the corridor outside.

down and another had to be sent for from Jebba, 100 kilometres to hot and dark, and the mosquitoes voracious. Yet in the eight hours it took to get the train moving again, there were few complaints or had tempers. Some people dozed, some sang and told sto-ries. Others wandered out into the night to light fires, dance and make tea by the track. The atmosphere was bank holi-

day, Nigeria style. Nigerians have a reputation for aggressiveness, but on the train they showed a degree of good humour and forbearance one would never see in the West. Actually getting to where we were going seemed the furthest thing from anyone's mind. Confronted daily by what seems the whims of institutions they cannot control. Nigerians have learned nonetheless to cope. In a Western context, offering the least resistance seems defeatist here it is a survival technique that, while changing nothing, makes life bearable.

One middle-aged Nigerian with a few words smilingly absolved me of the need for any further reflection. "Do not worry," he said, "It is Nigeria," and then offered me a sip of warm Star

By three o'clock the next afternoon - our scheduled time of arrival - we were on the move, but not yet even half-way to Lagos. Our average speed was 14 kilometres an hour.

Eighteen hours and one more mosquito-bitten night later we were still not in Lagos. The replacement locomotive had broken down, so the rumour went because the engineer had been drinking and forgotten to take on water for the engine's cooling system. Tempers remained sweet but I began to wonder just how much more I could take.

The third time the train broke down, not far from Ibadan, I abandoned it and took a 90-min ute taxi ride to Lagos. When I left the compartment, my Nigerian friends were laughing and pulling out a pack of cards. I never found out how much later they reached Lagos, but they looked as if they were settling down to a

Transport

Beginning to confront the mistakes of the past

been on everyone's lips in Lagos since the local police commissioner suddenly ordered a crackwhich roam the streets in their

There were howls of protest from commuters, reflecting wide-spread discontent at the acute shortage of public transport and the precipitate decline of Nigeria's road and rail networks.
"The kabu-kabu," said a typical
letter to the Daily Sketch, "has
been a tremendous help to the es, especially at this time of the nation's economic crunch, when even well-paid civil ser-vants cannot afford a Beetle." For the Government of Presi nt Ibrahim Babangida, trans port has become an increasingly sensitive political issue. The

Armed Forces Ruling Council ha been reluctant to reduce the large subsidy on petrol and other fuels partly because of the impact it would have on travellers. Government in January bringing in 300 complete buses amounced a special reflation from Brazil: although they package in the federal budget. Its major component was an allocatem is in confusion and grants tion of Naira700m (about £90m) little protection to local bus man-

government and the private seconetwork, beneficiary of the oil tor in order to alleviate the suf-boom years, is well developed by fering of all workers and enhance the standards of the continent

co-ordinate the new initiative. Banks were expected to provide

fully-huilt bases from abroad. Government officials were therefore taken aback by news that the Anambra Motor Manufacturing Company was bringing in 300 complete buses

Tackling the issue of transport

about the state of the nation's cian. The railway system is two cars. "If you don't have a transportation system, especially neglected and run down, and like vehicle in this society, you in the urban areas. The problem the national airline, is in severe that calls for speedy action by financial difficulties. The road in. but desperately in need of main-

'If you don't have a vehicle in this society, you

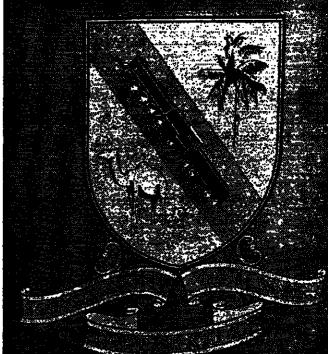
correct the mistakes of the past."
There was a time when some

the 1970s. When Lagos became too chaotic the authorities odd number could drive in town

believes that more buses, faster and bigger ferries for the water tenance and repair. Buses are overcrowded and battered; drivcrossings, and perhaps an exten-sion of the railway, would save workers from having to rise at described as appalling and acci-5am to reach work by 8am. But he is also preoccupie infrastructural needs of industry "It's no good giving incentives to or nower or transportation."

> With the decline of the railways, about 95 per cent of Niger-ian freight and passenger traffic

The railway, meanwhile, is undermined by the fuel subsidies declined by 15 per cent in the same period to fewer than 10m a year, despite the motto, "More useful, in more ways, to more its entirety with a standard people." The subsidy for the gauge network. In the meantime



1987 from about N200m in 1986. freight dropped from more than per cent of the track needs repair and there are only about 50 loco more than 100 two years ago that some officials suggest it

maintaining the existing rail sys-For political reasons passer gers remain the most immediate concern for the Government. "Passenger transport," says one Western diplomat in Lagos, "is one of the things the Government

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Profile of Wole Soyinka, the first African laureate

Outspoken man of letters

silent in the face of tyranny" this thought is a constant theme in the life and works of the out- face."

often on the side of outrage," Mr Sovinka admitted recently in an Abeokuta, north of Lagos.
"Take, for instance, the recent have been going on intermit-tently in the country. These

etly doing one's own work, and experienced even under military then the public, of which we are rule...the country was literally a member, gets slapped in the

Soyinka, winner of the 1988 should not, he says, be masters landed him in trouble in the past, Nobel Prize for Literature. Soyinka, winner of the 1986 should not, he says, be masters landed him in trouble in the past, nobel Prize for Literature.

Poet, dramatist, novelist and slaves. Although a supporter and he was detained by the feddor President Ibrahim Babangida eral government for two years in since he came to power three 1967 when he tried his hand at years ago, Mr Soyinka does not resolving the civil war and visuage to speak out on any and every issue.

"The balance sheet is very sible for some of the everses of The Mary Diet" sible for some of the excesses of The Man Died. the Nigerian armed forces.

reserved for the earlier and outpart of a group of people who act standingly corrupt civilian as the conscience of the nation. regime of President Shehu Shagari. One of its leading figures, he suggests, should simply be tently in the country. These hanged from the nearest lampressive in the newspapers... It's he says, "which savaged the peojust that one is sitting down quiple to a degree which they never one feels a sense of responsibility

ace." Mr Soyinka's frankness — The rulers and the ruled some would say arrogance — has

Nigeria's Nobel prize winner, His most scathing criticism is one of his compatriots told me, is For Mr Soyinka himself, the role of the intelligentsia is clear "since we are supposed to be

socialist direction for society. Mr Sovinka has no time for ideological extremes and no illusions about African governments. One of his dramatic works, A Play of Giants, ridicules four of the continent's most notorious heads of state - Amin, Bokassa, Mobutu

ported, such as Mr Julius lived very close to nature... Nyerere of Tanzania, do not "My birthplace in Ake is next Nyerere of Tanzania, do not escape unscathed – "He Soyinka. "But then again, one to w must criticise leaders who, like farm Nyerere, stay so long in power. I

BASIC FACTS ABOUT NIGERIA

eral Republic of Nigeria Head of State: President Gen-

eral ibrahim Badamasi Babangida. Ruling body: The Armed

Forces Ruling Council. ☐ Population: 95.7m in 1985 but estimated now at 105m and growing at about 3 per cent a

Area: 923,768 sq km. ☐ Capital city and commercial centre: Lagos, (Abuja is being built as the new federal capi-

☐ The nation's official title: Fed- ☐ Languages: English is the official language; (Hausa, Yor-

guages are spoken). ☐ Currency: Naira (N) = 100 KODO.

☐ Exchange rate: US\$ equals N4.29; £1 equals N.7.51. ☐ Inflation: 12% (1987 estimate). GDP real growth: zero per cent (1987 estimate);GDP per

capita: \$ 360 (1986). ☐ Trade balance: N1.6bn (1987 estimate).

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☐ Foreign debt: \$26.2bn

fate of a country - only to admit in the end that you made a mis-

Politics, of course, is not everything. In his work and conversation Mr Soyinka casts a perceptive and humorous eye on village traditions, religious charlatans, city life and the often strained relations between Africans and foreign visitors. "You'll find that Italians – whom sometimes I call white Nigerians - integrate much more easily than, let us say, the other Europeans - certainly more easily than Ameri-

it seems, entering easily into African life. And the British? "Oh, the British never do, never, never, ever do. But I give the majority of them B-plus for try-

ing."
In his 50s, (he was born in 1934 versity). Mr Sovinka is hard at work in various fields, including film, poetry and theatre. He has just completed an adaptation of Jean Genet's The Blacks, for the Royal Shakespeare Company. A new volume of poetry is due to appear shortly. That should still leave time for

hunting - "I go out with our traditional hunters and we hunt antelopes and grasscutters (rodents) and wildfowl and so on_.we eat what we kill."

Abeokuta, he says, is thought to be the first town in Nigeria to have been Christianised you could say that Western influences did come to this town quite early. But, at the same time, we

"He to massive rocks, the fore (Nyerere) has made lots of mis-rounded us and so you had this takes and one of the things I sense of a constant communion admire about him is that he has with nature. We used to go to the admitted his mistakes," says Mr farms and walk through the bush to where my father had a little "Both aspects were, for me.

think a whole generation is a just parts of the whole scene of long time to toy around with the existence. I didn't feel there was



Wole Soyinka: poet, dramatist

any contradiction, I didn't feel there was any clash. I probably gravitated a lot towards the serenity of the countryside. But well love the rumbustious existence of the city, the noise. For me, it's all life."

Victor Mallet

□ "The Man Died" has recently been reprinted in paperback by Arrow Books. Other works include the play "Death and the King's (published Methuen): the poetry collection. "Idanre and other poems, (Methuen); and the novel, "Th

Tips for business visitors to Nigeria's commercial capital

Life in Lagos is improving

that Lagos has a grim reputation Old hands delight in regaling the timid first-time visitor with grue some stories of corruption and

But, in many ways, life has improved Lagos, which once had the dubious distinction of being the most expensive city in Africa, is for foreigners now one of the cheapest. Traffic jams have been moderated by economic austerity, and increased fares have eliminated some of the chaos for-

merly associated with air travel. Lagos is a lively, modern city well-equipped with restaurants. and other amenities, although it must be said that the electricity supply (230 volts in theory) and the telephone service both remain erratic. However, there is no reason why the visitor, armed with sound advice, should not enjoy a trip to Nigeria. Here are

ome tips: At the airport: Most visitors require visas.
You should also have a yellow
fever vaccination certificate
(although the health checkpoint
may not be manned) and you will probably be required to show an onward or return ticket.

After the immigration officials in Lagos have stamped your passport and flung it back on the desk, you should collect a currency form and then queue for the bank. Overseas visitors are obliged to change \$100 into naira on arrival, but African passportin Lagos have stamped your passholders need change only \$50. there is no advance booking for local advice. Keep the yellow form to hand in domestic flights and it is advis-

cahs are not allowed to pick up passengers at the airport terminal, although they are allowed to drop you there.
A tout will guide you to a "hire

between N25 and N50 and a trip to the Sheraton Hotel, in nearby Ikeja considerably less. Prices

To make appointments with are also available in Lagos. are likely to rise in line with progression government officials it is often

Accommodation: posed increases in the cost of pet-

When you leave remember that you are not allowed to export more than N20 in local currency.

International credit cards are can be a disadvantage. Among but remember also that you need hardly used, except at a couple of the best in Lagos are:

N50 airport tax for international major hotels. You will probably CI Sheraton, located in Ikeja flights. For domestic flights the



rays leading to the centre of Lagos. Traffic problems are less severe

Lagos and Kano from London. late F Other airlines flying to Nigeria N4.29. include KLM, Sabena, UTA, kobo). Varig, Swissair, Lufthansa, Iberia, Ethiopian, and the state airline, Nigeria Airways.

Transport in Nigeria:
If you have no access to a company car, you will find it convenient to hire a vellow can by the day or the hour (perhaps N15 or N20 per hour). Some are air-con-

effective.

easier to call round in person,

late February. \$1 was worth toria Island and Ikoyi. Tel N4.29. (A natra is made up of 100 900930-9, telex 27202/3.

mate in southern Nigeria is hot and sticky; but many offices and houses are air-conditioned. Water is often filtered and boiled as a

Armed robbery is a problem in few cities. Some residents of

when you leave.

Solution in the serve of the yellow form to hand in domestic lights and it is anyistable to arrive early or send a largely bribes in Nigeria are largely Alrways has daily flights to annecessary. Once through customs you will need - unless you rate domestic terminal you can or local markets, or - in Lagos are being met - an airport taxi or "hire car." The normal yellow dent airlines, Okada, Kabo and afternoon at the polo club.

Local newspapers are tabloid In shape, many in number and international telephone calls prone to inaccuracies. They appear to be easier since an range from the more serious eight-fold increase in prices this Business Concord, The Guardian car" parking spot, where you year, part of which was to com- and the Daily Times down to the should try to pick a sound vehi- pensate for the devaluation of the weekly Lagos Weekend, whose car parating specific and the specific content of the air should try to pick a sound vehipensate for the devangation of the specific care which I took lost a naira. Calls within Lagos can be forthright treatment of sexual wheel, 200 yards out of the air difficult, between cities even affairs makes Britain's Sun look port. A ride to Victoria Island or more so. Telex is erratic. Courier positively coy. Weekly magazines such as Newswatch and the international telegrams are also Nigerian Economist are more informative. Foreign publications

> easier to call round in person, particularly the first time. Busifortable guest houses for visitors, ness cards are essential.
>
> Many companies operate compa erous telephone calls, hotels

> cheques, and to carry around area, but some distance from

☐ Eko Holiday Inn, Victoria Island. Tel 615000, telex 22650.

Take malaria pills, as recommended by your doctor. The cli-Island. Tel 610030/1. ☐ Ikoyi Hotel, Ikoyi. Tel 603200-8, telex 22632. ☐ Hilton Hotel, Ikeja. Tel

960604. telex 26329. ☐ Bristol Hotel. Tel 661201, telex 21144 ☐ Mainland Hotel, Tel 841101, telex 21595. In Kano:

□ Daula Hotel. Tel 5311-3, telex 77241 Central Hotel. Tel 5141, telex

■ Lagos restaurants: The city offers a broad selection of food, from Indian to French, Allow at least N120 per head for the most expensive. Some recommendations: ☐ Atlantic Nightclub in the

Federal Palace Hotel, Victoria Island: Italian food. Tel 615710. ☐ Bagatelle, 208/212 Broad St Lagos; continental/Lebanese. Tel 662410. ☐ Shangri La at top of Eko

Holiday Inn. Expensive, Chinese food and good views. Tel 615000.

La Brasserie, Adetokunbo Ademola Street, Victoria Island; excellent Indian food upstairs, continental downstairs. Tel

☐ Antoine, 61 Broad St. Lagos; continental food. Tel 664881.

Diplomatic missions include: British High Commission tel 619531/37/41/43 and telex 21247; West Germany tel 611011; France 603300; United States 610097; European Community 617852; World Bank 616196/616044.

Victor Mallet

NNPC IS PIONEERING THE **DIVERSE TECHNOLOGIES** GERIA NEEDS FOR THE YEARS AHEAD

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